Taylor at Barclays
Will the whiz kid have a real job?
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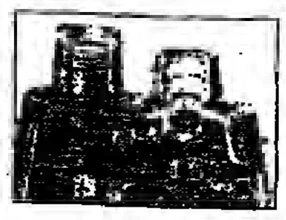

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FINANCIAL TIMES

Europe's Business Newspaper

FRIDAY AUGUST 20 1993

Asea Brown Boveri to cut 7,000 more jobs this year

Asea Brown Boveri, the world's largest power engineering group, is to speed up its rationalisation programme, eliminating a further 7,000 jobs by the end of the year, after reporting flat pre-tax profits of $497m. New provisions of $500m will be made against 1993 earnings. Page 13; Lex, Page 12

Ford of Europe head fights move: Ford, the US carmaker, became embroiled in public conflict with one of its top executives in Germany, in the latest shake-up of its European management. Page 12; Progress claimed in VW 'spying' probe, Page 2; Car sales fall, Page 5

Airline 'crisis' threat: Increasing restrictions in the world's skies are a "creeping crisis" that threatens to cripple US airlines and ultimately the US economy, according to a report on the industry. Page 4

US head for Nafta team: The head of the Clinton administration's lobbying effort for the North American Free Trade Agreement was formally named as William Daley, brother of Chicago's mayor Richard Daley.

Brazil wages law: Brazil's economics team has achieved a turnaround in government legislation on wage adjustments, with Congress voting in favour of monthly wage adjustments of 10 percentage points below the inflation rate instead of adjustments of 100 per cent. Page 4

Izetbegovic rules out early accord: Bosnia's president Alija Izetbegovic dismissed hopes of an early settlement to the conflict in spite of the start of talks on the republic's ethnic partition involving the presidents of Serbia and Croatia. Page 2

Walt Disney to expand animated films:

Walt Disney, the US entertainment group, announced a big expansion of its animated film production after the box office success of *Aladdin*, its latest feature, and *Beauty and the Beast* (left). Max Howard, vice-president of Walt Disney Animation in Florida, is currently in London to recruit animators to work on new productions at studios in California and Florida. *Aladdin* has grossed more than $212m in North America, while *Beauty and the Beast* has earned more than $147m in the US. Page 12

Mannesmann, the diversified engineering group which has been a favourite with investors during the recent rally in the German stockmarket, reported a group net loss of DM467m ($271.5m) for the first six months after a profit of DM15m year on year. Page 13

Ericsson, the Swedish telecommunications group, expects profits at least to double in 1993 after a strong recovery in first-half net income to SKr1.28bn ($162m) from SKr59m. Page 13

Sony, the consumer electronics group, suffered a 36 per cent per cent drop in first-quarter consolidated operating income to Y25.3bn ($243.3m) as a result of weak demand in its main markets and the strength of the yen. Page 15

Hutchison Whampoa, Hong Kong's largest conglomerate, announced a strong turnaround in interim earnings, with net profit of HK$2.52bn ($325.2m) for the first half, compared with a loss of HK$76m year on year. Page 15

Charged with murder on high seas: A 28-year-old Russian seaman from a freighter found drifting in the North Sea was charged in Denmark with the murder of five shipmates on the high seas.

Turkey seeks reopening of Iraq pipeline: Turkey is to urge the UN to lift sanctions on Iraq's oil export pipeline, in the first sign of a shift in Ankara's policy towards Baghdad. Page 3

Oil companies in Azeri talks: Negotiations have resumed between a group of eight foreign oil companies and officials from Azerbaijan over a $9bn development in the Caspian Sea, stalled by recent political turmoil. Page 4

Texas Instruments announced plans to build one of the world's largest semiconductor plants in Dallas, Texas. Construction will begin this year. The plant is expected to cost between $750m (£506m) and $1bn over the next five years. Page 14

STOCK MARKET INDICES

FT-SE 100:	3065.5	(-8.1)
Yield	3.74	
FT-SE Eurotrack 100	1304.07	(+0.98)
FT-A All-Share	1521.01	(-0.2%)
Nikkei	20,687.47	(-85.71)
New York lunchtime		
Dow Jones Ind Ave	3603.75	(-1.11)
S&P Composite	456.01	(-0.03)

US LUNCHTIME RATES

Federal Funds:	3%
3-mo Treas Bills: Yld	3.034%
Long Bond	100⅞
Yield	6.231%

LONDON MONEY

3-mo interbank	5⅞%	(same)
Liffe long gilt future:	Sep 112[illegible]	(Sep 113[illegible])

NORTH SEA OIL (Argus)

Brent 15-day (Oct)	$16.93	(16.905)

Gold

New York Comex (Dec)	$374.4	(377.5)
London	$373.0	(373.2)

STERLING

New York lunchtime:		
$	1.5045	
London:		
$	1.5055	(1.5125)
DM	2.54	(2.545)
FFr	8.8775	(8.9425)
SFr	2.235	(2.25)
Y	156.75	(153.5)
£ Index	81.4	(81.5)

DOLLAR

New York lunchtime:		
DM	1.6865	
FFr	5.8875	
SFr	1.4855	
Y	104.35	
London:		
DM	1.6865	(1.6825)
FFr	5.8975	(5.9125)
SFr	1.485	(1.4875)
Y	104.15	(101.5)
$ Index	65.5	(65.1)

Tokyo close Y 101.98

Austria	Sch30	Germany	DM3.30	Malta	Lm0.60	S.Arabia	SR11
Bahrain	Din1.250	Greece	Dr300	Morocco	MDh13	Singapore	S$4.10
Belgium	BFr65	Hungary	Ft172	Neth	Fl 3.75	Slovak Rp	KSL45
Bulgaria	Lw25.00	Iceland	IKr215	Nigeria	Naira45	Slovenia	SLT220
Croatia	HRD5700	India	Rs40	Norway	NKr16.00	South Africa	R12.00
Cyprus	C£1.00	Israel	Shk5.90	Oman	OR1.50	Spain	Pta210
Czech Rp	CZK45	Italy	L2700	Pakistan	Rs35	Sweden	SKr15
Denmark	DKr15	Jordan	JD1.50	Philippines	Peso45	Switz	SFr3.20
Egypt	E£4.50	Kuwait	Fils.600	Poland	Zl 22,000	Syria	S£50.00
Finland	FM12	Lebanon	US$1.25	Portugal	Es215	Tunisia	Din1.250
France	FFr9.00	Lux	LFr65	Qatar	QR12.00	Turkey	L9000
						UAE	Dh11.00

France launches five-year plan to create jobs

By John Ridding in Paris

FRANCE yesterday launched a five-year plan to create jobs by reducing taxes on employers and increasing the flexibility of the labour market, but leaving the social security system intact.

Rising unemployment, which currently stands at 11.6 per cent of the workforce and is forecast to reach 12.5 per cent by the end of the year, is one of the biggest problems facing Mr Edouard Balladur's centre-right RPR-UDF coalition government. Reducing unemployment is seen as central to the hopes of the conservative parties in the 1995 presidential election. Mr Michel Giraud, the labour minister who unveiled the 55-point plan, said it was aimed at addressing the structural problems of the French labour market. It would cut the costs of hiring workers, encourage part-time employment and ease rigidities in working practices.

The principal measures include the transfer from employers to the government of social security charges for France's lowest paid workers. The transfer is expected to include employees earning up to 1.5 times the minimum wage of about FFr5,900 ($990) a month.

The plan also proposes the replacement of the 39-hour working week with an equivalent annual total to improve the flexibility of production within industry and cut overtime payments.

Under the proposals, part-time workers will be able to increase the number of hours they work while receiving state benefits. The system of apprenticeships and training will be devolved to local government organisation.

But the measures stopped short of reforming the minimum wage, or *salaire minimum de croissance* (Smic), regarded by industrialists as an important obstacle to employment. Mr Balladur said last week he would not use "the pretext of economic crisis to reduce the protection of the least advantaged".

The measures were also limited by budgetary considerations. Labour market analysts estimated that transferring social security payments to the state would cost about FFr1.8bn this year and more than FFr100bn for the five-year period. The government has forecast a budget deficit for the current year of FFr317bn. But private sector economists, such as Mr Jean-François Mercier at Salomon Brothers, predict the deficit will be closer to FFr350bn.

Economists in Paris said the plan was unlikely to have a rapid impact on the level of unemployment. "They are right to address structural issues," said one economist at a French bank, "but the Smic is untouched and the economic situation is likely to push unemployment higher for several months yet."

The stagnant state of the French economy was illustrated yesterday by industrial production figures which showed output in June had declined by 0.2 per cent from May and that second quarter production was 0.3 per cent below the first quarter.

Union leaders, who will discuss the plan with Mr Balladur next month, expressed opposition to the proposals. Mr Marc Blondel, general secretary of Force Ouvrière, described them as "dangerous". But the government's large majority in parliament suggests that significant alterations are unlikely.

Fed intervenes to stem yen's rise and lift dollar

By James Blitz in London, Patrick Harverson in New York and Gordon Cramb in Tokyo

THE US monetary authorities yesterday dramatically reversed the yen's powerful rise by intervening in the foreign exchange markets and buying the dollar. The move took currency dealers by surprise.

Four interventions by the New York Federal Reserve Bank triggered a sudden surge in the dollar which earlier this week had looked set to fall through the Y100 level. The New York Fed conducts open market operations for the US central bank.

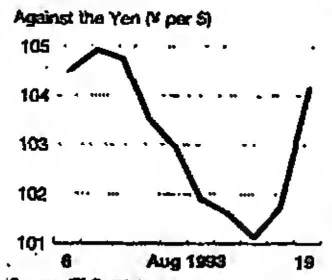
The intervention pushed up the value of the dollar by nearly 4 per cent in four hours. Shortly after the London close yesterday, the dollar was trading at Y105.10, having been at Y101.20 earlier in the day. The move was a substantial one, even by recent currency market standards.

The Fed's intervention will surprise and gratify the new Japanese government, which has said for the past week that it would like central banks from other Group of Seven industrialised countries to help stem the yen's rise. The Bank of Japan bought dollars again earlier yesterday in the Tokyo market, but until now has felt friendless.

Mr Morihiro Hosokawa, sworn in as prime minister last week, spoke by telephone to President Bill Clinton during the day.

Dollar

Against the Yen (Y per $)



Source: FT Graphite

Among the issues they discussed was the continuing high level of Japan's trade surplus with the US, which analysts in Tokyo thought would militate against any effort by the west to ease the resultant plight of Japanese exporters. The countries are to hold bilateral trade talks next month.

In the US, Mr Lawrence Summers, the treasury under-secretary for international affairs, said the US was "concerned that the recent rapid rise in the value of the Japanese yen could retard growth in the Japanese and world economies".

Without the intervention, it is likely that the yen would have continued to rise in the wake of news that the US trade deficit had widened to $12.06bn in June, the widest monthly trade gap since October 1987. Some analysts said the intervention, the first by the US in three months, may have been part of a covert deal between the US and Japan which is yet to be unveiled.

Some Wall Street analysts guessed that the Fed's action was linked to a cabinet meeting in Tokyo yesterday which pledged to introduce another fiscal stimulus in the Japanese economy in the autumn. Mr Joe Taylor, a currency analyst with Technical Data, a market analysis group, said: "Possibly, the Japanese gave some sort of assurance to the Clinton administration that the structural impediments to a healthy trade relationship would be smoothed out."

Another interpretation was that, while Washington and Tokyo were still willing to let the dollar fall against the yen, they were concerned about the speed of the recent decline. An analyst at one of the largest US securities houses said: "I think the intervention is a gesture to the markets, a signal that everyone should not go too long (on) yen too aggressively. It's a dampening move."

Yesterday's intervention prompted investors to sell Japanese government bonds in the belief that a weaker yen would reduce the chance that the Bank of Japan would cut the official discount rate.

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One of the Israeli soldiers caught in the first bomb attack is wheeled away from a helicopter at Haifa

Israel retaliates after attack

By Julian Ozanne in Jerusalem

ISRAELI warplanes blasted targets in eastern Lebanon yesterday in retaliation for a bomb attack by pro-Iranian guerrillas which earlier killed at least seven Israeli soldiers and wounded two others. It was the deadliest guerrilla attack in five years.

Last night, Jerusalem confirmed a second bomb attack on Israeli forces in the self-styled security zone in southern Lebanon, killing another soldier and wounding two. The US said earlier it deplored the attack on the Israelis and described it as a "calculated attempt by extremists to derail the [Arab-Israeli] peace process".

Hundreds of Lebanese civilians, fearing another Israeli shelling offensive, fled their homes in the south, and the Lebanese army was placed on maximum alert.

Eight Israeli aircraft struck at positions of the Islamic fundamentalist Hizbollah (Party of God) militia in Lebanon's Bekaa valley killing two Hizbollah fighters. The Israeli raid came hours after Hizbollah claimed responsibility for the dawn attack on Israeli soldiers in the zone Israel occupies in southern Lebanon.

Observers in Jerusalem said the Israeli strike on targets 3km west of the Syrian border was also meant as a warning to

Continued on Page 12
Israel writhes under Hizbollah goad, Page 3

Barclays chooses non-banker Taylor as chief executive

By John Gapper in London

BRITAIN'S Barclays Bank yesterday ended a year of controversy over its senior management by reaching outside the banking industry for a new chief executive, appointing Mr Martin Taylor, the 41-year-old chairman and chief executive of Courtaulds Textiles, to the job.

In one of the most radical corporate appointments in recent years, Barclays hired Mr Taylor, a former Financial Times journalist, to split the running of the largest UK bank with Mr Andrew Buxton, its executive chairman.

British banks have appointed more executives from other industries in recent years, but Mr Taylor is the first chief executive with no banking experience. Mr Buxton said his preference had been a non-banker who could bring fresh insights.

The news was welcomed by shareholders who have criticised Barclays since it was disclosed in April 1992 that Mr Buxton would combine the roles of chairman and chief executive. The decision to split the roles was announced in January.

Mr Buxton said that Mr Taylor would have responsibility for running the bank's three operating divisions, including its UK branch bank and BZW investment bank. He would retain primary responsibility for strategy and external relations.

Trevor Humphries

Radical choice: Martin Taylor, new chief executive of Barclays

Mr Buxton emphasised, however, that Mr Taylor would also have a large role in forming strategy. "There are bound to be some important strategic decisions over the next few years, and we will make them together," he said.

Mr Taylor was appointed chairman of Courtaulds Textiles in March, but was approached by Barclays' headhunting firm in June. He said he had already intended to become non-executive chairman and seek a job elsewhere within a year.

Criticism of Barclays' management increased earlier this year when the bank disclosed that it made a £242m pre-tax loss last year, and cut its final dividend. It announced first half profits of £335m this month as bad debt provisions fell.

Shareholders said that while they welcomed the appointment, they wanted to know exactly what leeway Mr Taylor would have within Barclays. One investor said that it was important that Mr Taylor was given a free hand to change management.

Mr Taylor said he intended to stay at Barclays for 10 years, although he could not foresee whether he would succeed Mr Buxton as chairman. He will join the board on November 1 and become chief executive on

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Progress claimed in VW 'spying' probe

By Christopher Parkes in Frankfurt

GERMAN prosecutors investigating allegations of industrial espionage by senior Volkswagen employees have made progress following up new clues, according to Mr Thomas Seifert, head of the economic crimes division in the Darmstadt public prosecutors' office.

His comments yesterday fuelled speculation that the criminal probe is entering a decisive phase.

Further witnesses have been interrogated, while evidence from "top-class and important" witnesses from Volkswagen has yielded nothing to persuade investigators to call off the probe, Mr Seifert said.

The investigation is believed to have focused in recent days on reports that 11 VW trainees were instructed to punch GM and Opel data into the German group's computers at the end of March. "Naturally we are following this trail," Mr Seifert said.

Opel asked for the launch of a criminal inquiry in late April, following the defection from General Motors to VW of Mr José Ignacio López de Arriortúa, GM's global purchasing director, and several colleagues.

Opel supported its suspicions with affidavits relating to missing secret data.

Volkswagen claims that no secret information has made its way into the group's possession, although it admitted earlier this month that "possible confidential" material had been destroyed on company property.

Mr Georg Nauth, official spokesman for the investigating team, said investigations so far had confirmed testimony from Adam Opel, the German subsidiary of General Motors. This included findings made since an official statement, made on July 22, linked Mr López and his associates with confidential data found in a Wiesbaden house.

However, Mr Neuth denied press reports that investigators had established "without doubt" that the VW trainees had copied Opel secrets into the VW database.

Mr Nauth refused to name any VW witnesses, although he said Mr López and three associates under investigation had not been interviewed yet. Mr Ferdinand Piëch, VW group chairman, had not been called "because he is not a suspect", he added.

The "top-class" witnesses referred to by Mr Seifert are known to include Mr Daniel Goeudevert, a former VW director, and Mr Klaus Liesen, chairman of the group's board of supervisors, who are also not among the suspects.

The UN effort in Bosnia: some success in Sarajevo but the sieges spread

The Bosnian government yesterday called on the UN to open the road to Mostar, where 35,000 Moslems have been trapped for 100 days by fighting between Croats and Moslems. For their part, UN officials reiterated that, without rapid widespread aid, Bosnia could soon face an even more severe humanitarian crisis. Though the seige of Sarajevo had been the main focus of attention, UN officials said the biggest problem now was fighting in central Bosnia. It was little-known regions such as Maglaj, Jablanica and Mostar that were the new trouble spots.

An official said: "All over Bosnia there are tiny pockets that the outside world just doesn't know about. There the humanitarian conditions are terrible."

Sarajevo
This city is now better supplied than many: 16 air-lifts a day are providing almost all of the nearly 5,000 tonnes of food the UN estimates is needed each month. Fuel, medical supplies and water remain low, but six fuel convoys reached the city last week, enabling water pumps to start working.

Srebrenica, Gorazde and Zepa
Food convoys are reaching the 60,000 people in the Moslem enclaves of Srebrenica and Zepa, surrounded by Serbs. Civilian protestors have been blocking some convoys to Goradze, but air drops are providing basic supplies to the 70,000 there. Srebrenica still faces severe water problems, and there is serious over-crowding in all three towns.

Banja Luka region
Conditions in this Serb-held area seem relatively stable, although reports suggest "ethnic cleansing" continues, with large refugee movement. Convoys reach the city easily, and a key UN warehouse has been established in the city.

Tuzla
Despite concerns about the largely Moslem population, which is partly surrounded by Serb forces, food convoys are reaching the area. There is a large UN warehouse.

Maglaj
This isolated Moslem enclave has been cut off for several weeks by Serbs and Croats. There is deep concern about the estimated 40,000 Moslems here.

Tarcin and Jablanica
Fighting between Croats and Moslems have left these Moslem-dominated towns the worst short of food and water. Despite one food convoy getting through recently and some air drops, the situation is reported as serious.

Mostar
A Croat offensive has prevented aid from reaching the city for 100 days. Its 30,000 odd Moslem inhabitants are reportedly becoming critically short of food and water. There is Red Cross concern about detention camps near the city.

Vares
This Croat enclave faces severe problems of overcrowding: originally supporting some 7,000 people, it is reported to have more than 20,000 refugees living in precarious conditions. The UN is attempting air drops.

Gornji Vakuf region
Renewed fighting between Moslems and Croats has isolated many communities. After UN officials were recently attacked, aid groups say the area is becoming too dangerous to operate in.

French prepare financial reshuffle

By John Ridding in Paris

THE top echelons of France's financial administration are preparing for a round of musical chairs following Mr Jacques de Larosière's appointment as head of the European Bank for Reconstruction and Development.

The most important move will be a replacement for Mr de Larosière as governor of the Bank of France. The central bank is in the process of being granted autonomy in the formulation of monetary policy and the new governor will take control at a particularly difficult time following the European currency crisis which has resulted in the effective flotation of the French franc.

The favourite for the post is Mr Jean-Claude Trichet, currently director of the French Treasury, the most powerful civil service post in France's financial administration. His selection as head of the central bank would trigger a further reshuffle within the Treasury.

The decision on the next central bank governor will be taken by the cabinet and President François Mitterrand meeting as the council of ministers on August 25. But bankers and diplomats in Paris say that Mr Trichet faces little opposition for the post.

"He would seem to be the natural choice," says one French banker. "He has the right background and the right views." Mr Trichet served as senior aide to Mr Edouard Balladur, the current prime minister, when he was economics minister in 1986 and 1987.

The implementation of laws granting the central bank independence in monetary policy is expected by the end of the year. The French government has promoted the reform in order to strengthen the financial authorities' anti-inflationary credentials. But the task of maintaining a tight monetary policy will be complicated by pressures for more expansionary policies to help stimulate the economy and by the increased instability of the franc resulting from the ERM reforms.

Should Mr Trichet become the governor of the Bank of France, there is no clear candidate to replace him as head of the Treasury. One name mentioned in French financial circles is that of Mr Christian Noyer, the chief of staff of Mr Edmond Alphandéry, the economy minister.

Rexrodt seeks road to peace for car makers

By Christopher Parkes in Frankfurt

MR Günter Rexrodt, the German economics minister, has had almost three weeks in which to reconsider his impulsive hint that he might be prepared to act as middleman in the industrial espionage row between Volkswagen and *Adam Opel, the German* subsidiary of General Motors.

On Tuesday night he was given food for thought in an hour-long meeting with Mr David Herman, the beguilingly mild Opel chairman. They had a "good talk" on matters of a "non-communicable nature", according to official statements. *The minister* will hear from VW's Mr Ferdinand Piëch at a similar private session today.

Signs of potential misunderstandings were already apparent as this week's meetings were announced. Mr Rexrodt's office was careful to stress that the minister's aim was to gather information, while VW tried to suggest the talks were in some way a continuation of Mr Piëch's own peace-making initiatives.

These started with an abortive attempt to heal the breach with Mr Jack Smith, GM president, after a nasty exchange at the end of last month.

The VW chairman's *suggestions* at a press conference, laced with war-like, xenophobic overtones, that Opel secrets had been "planted" on his new employees and that VW computers, *had earned him the riposte* from GM that his ideas were grotesque and that his grasp on reason might be less than secure.

Piëch: cold-shouldered by GM

A telephone call to Mr Smith was rewarded with the cold shoulder.

Mr Piëch might communicate in writing with Mr Herman, *but he had to retract his* charges first, he was told. A telephone call from Mr Piëch to Mr Rexrodt, who had appealed for more moderate language and warned against damaging Germany's international image, was the cue for this week's interviews.

Both sides, the government, and other German motor makers have reason to be worried. Although it is understood *Washington does not see* any immediate danger to inter-governmental relations, the fact that the US Justice Department has begun an investigation into the case is reason enough for concern.

Future US sales prospects for German car makers, not least VW itself, may also be at stake. *BMW and Mercedes-Benz* are at or beyond the point of no return on their first-ever investments in US car plants. Mr Rexrodt is also confronted by a mood approaching panic in some sectors of the domestic vehicle components industry, caused partly by VW's draconian price-cutting demands.

However much the minister may wish for calm, his half-hearted mediation offer came too late. Mr Rexrodt appears to believe that it is best if both sides agree to keep quiet and let the criminal investigations proceed.

Volkswagen pre-empted his wishes last weekend when it *said it was withdrawing from* the war of words.

Izetbegovic expects no quick deal

By Laura Silber in Geneva, Michael Littlejohns in New York and Chrystia Freeland in Moscow

BOSNIA'S President Alija Izetbegovic *yesterday dismissed hopes of a quick set*tlement to the 17-month war after the presidents of Serbia and Croatia joined talks on the republic's ethnic partition.

"I do not expect the successful conclusion of negotiations very soon," he said after almost five hours of meetings with his Serb and Croat adversaries.

His remarks came as the Serbian president, Mr Slobodan Milosevic, and his *Croat counterpart, Mr Franjo Tudjman*, returned to Geneva to join all-party talks, in a move which was hoped would give fresh impetus to the peace process.

Earlier Lord Owen, the international mediator, indicated he was making a final push to hroker an accord "in the next few days" – although he conceded that problems remained over the boundaries of the future partitions.

"We've got a very real problem on the map," said Lord Owen, who hoped it could be resolved in days.

Mr Izetbegovic, a Moslem, yesterday repeated that he would refuse to endorse any peace agreement that had not been previously approved by the Bosnian parliament, and demanded that the Serh forces lifted their siege round Sarajevo.

In spite of Wednesday's agreement to place Sarajevo under UN administration the siege of Sarajevo remained in place, *Mr Izethegovic said*.

The United Nations yesterday confirmed that a few Serb troops remain on the strategic Mount Igman, but a spokesman said they posed no real threat.

But with the threat of air strikes now receding, a UN spokesman in New York last night emphasised that although the UN now has the capability to use air power, this does not mean such action is imminent. That decision rested with Mr Boutros Boutros Ghali, the UN secretary *general, and still had not been made, the* official, Mr Joe Sills, said.

But as a sign of the diplomatic pressure against air strikes, Russian President Boris Yeltsin yesterday took credit for the fact that neither the UN nor Nato had employed force against Serbta and suggested that it may soon be possible to lift sanctions against Serbia.

"It will be necessary to reconsider the *sanctions against* Yugoslavia," Mr Yeltsin told a press conference in Moscow, if current negotiations "continue to proceed normally". Russia, a traditional ally of Serhia, has repeatedly indicated in recent weeks that it was uneasy about the threat of air strikes.

Oil companies resume Azeri talks

By Deborah Hargreaves

NEGOTIATIONS have re-opened in London between eight foreign oil companies and officials from Azerbaijan over a $9hn oilfield development in *the Caspian Sea. The Azeri* government is understood to have agreed that the project he discussed as a joint development hetween the companies, rather than holding separate negotiations for the three fields, estimated to contain 4.5bn barrels of oil.

The talks had been put on ice during the political upheaval in Azerbaijan in June when the republic's leader, Mr Abulfaz Elchibey, fled the capital and was replaced by Mr Gaidar Aliyev, an official from the Brezhnev era. Mr Aliyev *officially relaunched the nego*tiations 10 days ago in Baku, although the companies had been talking to Azeri officials in New York in tha interim.

Mr Aliyev said he would like to see a deal agreed hy the end of September, but *many details* must still be finalised. The Azeri delegation in London is led by Mr Marat Manafov, an Azeri businessman with strong links to the west. He is being advised by seven oil industry experts from the US, Canada and the UK.

Mr Aliyev is understood to have offered either to return a $70m pre-payment mada by the companies or to offset it against future costs. The companies are also talking about an export pipeline route.

The companies involved in the talks include: Amoco, British Petroleum, Statoil, Pennzoil, *Ramco, Turkish Petro*leum, Unocal and McDermott.

Azerbaijan yesterday announced that Armenian forces captured the strategic southern city of Cebrayil and were within striking distance of the Iranian border, writes Chrystia Freeland in Moscow and agencies.

If the Armenian forces – pushing down from the disputed enclave of Nagorno-Karabakh – reach the border they will cut off *a huge swathe of southern Azerbaijan. According to a statement* released hy the Azeris, Armenian forces are advancing toward the town of Goradiz, just 5km from Iran. Armenia's capture of Cebrayil is the most recent in a series of Armenian victories.

NEWS IN BRIEF

Yeltsin renews push for early elections

By Chrystia Freeland in Moscow

THE Russian president, Mr Boris Yeltsin, yesterday stepped up his campaign to force parliamentary elections, announcing a two-month strategy to oust the existing, conservative legislature.

At a press conference held to celebrate the second anniversary of the failed coup, Mr Yeltsin said parliament was blocking the economic reforms made possihle by the victory of pro-Yeltsin forces in August 1991.

But Mr Ruslan Khasbulatov, chairman of parliament and one of Mr Yeltsin's most bitter opponeots, vowed that early autumn elections will not take place. The existing Russian coostitution makes no provisions for calling a poli before the current legislature's *mandate expires* in 1995.

Ukraine's currency plummets

The Ukrainian currency yesterday plunged in value against the dollar, plummeting to less than one-third of its previous value, writes Oleh Mamaiev in Kiev.

Officials attributed the devaluation at the central bank's hard currency anction as a reaction to new regulations which ohlige Ukrainian exporters to sell 50 per cent of their hard currency earnings to the government at the fixed rate of 5,970 coupons to the dollar. Western economists believe the Ukrainian economy moved into hyper-inflation in June. In yesterday's trading the Ukrainian coupon fell to 19,050 against the dollar, from last week's level of 5,970.

Hungary shows signs of recovery

Hungarian industry is showing the first signs of recovery after four years of recession and stagnation, according to government figures puhlished this week, writes Nicholas Denton in Budapest.

Industrial production grew 5.5 per cent in the year to June, taking activity back up to the levels of two years ago. There was a 5.3 per cent leap in the month to June. However, industrial production remains more than 30 per cent down on the late 1980s and disappointing export statistics clash with the latest indications of stronger economic activity.

Italian funding repayment offer

Former Italian health minister Francesco De Lorenzo, one of the most reviled figures in the country's huge corruptioo scandal, was quoted yesterday as offering to repay L4bn (£1.67m) in illegal funding he received, Reuter reports from Rome. "The illegal contributions amount to some L4bn. I will give them back, selling what I can," he told the Corriere della Sera newspaper in an interview.

Greeks end stand-off with king

Former King Constantine said yesterday that the Greek government had agreed to withdraw two navy ships and an air force aircraft that had been escorting a yacht he had rented for a family holiday, Reuter reports from London. Constantine told the BBC thet he had agreed to stay away from two towns in the Peloponnese peninsula, as demanded by the government, and in return the ships and aircraft would leave him alone.

Bundesbank's money target missed again

By David Waller in Frankfurt

GROWTH in *German* money supply has exceeded the target range set hy the Bundesbank for the fourth consecutive month.

According to provisional figures, M3 – which comprises cash in circulation as well as savings and short-term time deposits – grew at 7.5 per cent in July on an annualised, seasonally adjusted basis. This follows growth of 7 per cent in June *and compares* with *a tar*get range of 4.5 to 6.5 per cent. Although the headline figure was in line with the expectations of economists, there was disappointment about a sharp, 8 per cent rise in bank credits to companies and private individuals over the past six months.

This is an increase from the 7.6 per cent growth rate in the six months to July. Economists *said that the August M3 was* likely to climb still higher, reflecting Bundesbank currency interventions.

The disappointing July M3 figure was released just a week before the Bundesbank's policy-making council meets on August 26 to consider whether monetary conditions warrant additional interest rate cuts.

Yesterday Mr Helmut Schlesinger, the Bundesbank president, *warned* of the "*grave dis*ruptions" which can occur on financial markets if high expectations of interest rate cuts are not fulfilled.

In remarks reported by e German news agency, he said that the currency market upheaval of recent weeks "should make it clear to everyone" what happens when markets are fed with unrealistic expectations.

● *Alice Rawsthorn in Paris* adds: Mr Jacques Delors, president of the European Commission, yesterday criticised Chancellor Helmut Kohl for suggesting that the EC might have to delay the timetable for monetary union. *Mr* Delors said that the chancellor'e remarks had "added to the doubts" on monetary union.

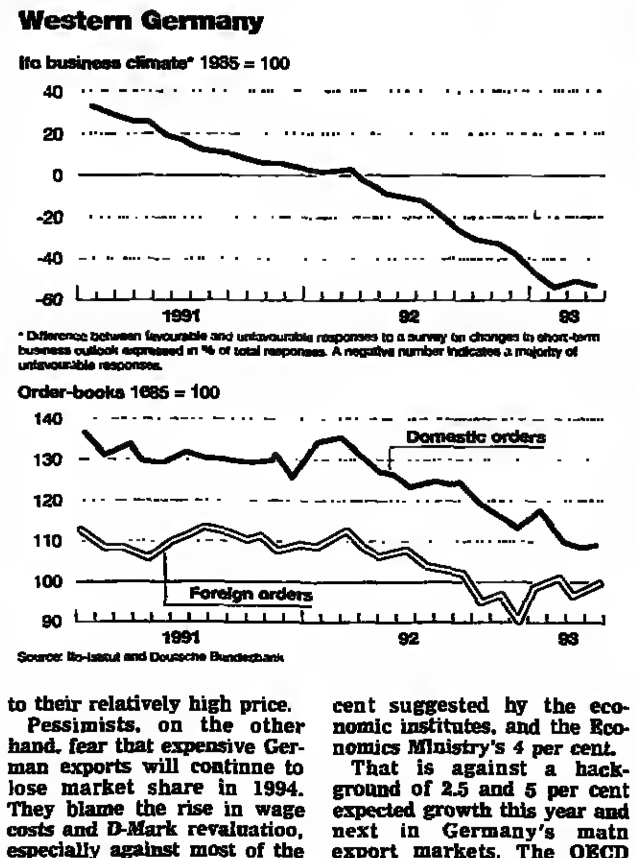
Germany tied by its own policies

By Quentin Peel in Bonn

THE key to turning round the recession in Germany lies in export markets: on that, the Organisation for Economic *Co-operation* aod Development, the Economics Ministry, and the country's main economic institntes are agreed. They are not snre, however, when the real npturn will come, and how strong it will be.

Moreover, there is a clear relationshtp between policies intended to tackle domestic prohlems and the health of Germany's main export markets. The Bundesbank's strict *monetary stance*, designed to stabiliee inflation and maintain D-Mark stahility, has been a deciding factor in the stagnation afflicting other European Community economies.

At the same time, the *D-Mark's strength is an impor*tant factor militating against a rapid recovery of German exports.



The latest OECD report sums np neatly the arguments of optimists and pesslmists.

The former, it says, "expect declioiog Germao Interest rates will qnlckly lead to lower rates elsewhere, end *therehy stimolate European* activity, and hence the demand for German exports".

They argue that recent losses of export market share can be attributed more to the high proportion of investment *goods in German exports than* to their relatively high price.

Pessimists, on the other hand, *fear* that expensive German exports will continne to lose market share in 1994. They blame the rise in wage *costs* and *D-Mark* revaluatioo, especially against most of the other currencies in the European monetary system.

The OECD errs on the pessimistic side: it forecasts export growth next year at 2.3 per cent, *compared* with *3.8 per cent* suggested hy the economic institutes, and the Economics Ministry's *4* per cent.

That is against a hackground of 2.5 and 5 per cent expected growth this year and next in Germany's matn export markets. The OECD snggests that higher wages and the strong D-Mark this year add 5 per cent to relative unit laboor costs in manufacturing, calculated in a commoo currency. That should subside to under 1 per cent in 1994, as the D-Mark stabilises and more moderate wage deals work through the system.

The report also points to important changes in the composition of Germany's balance of payments, which led to a huge swing into deficit on the current account in tha aftermath of unification. Between 1989 and 1992, the current acconnt deteriorated hy *DM147bn*, a swing from a surplus equal to 5 per cent of GDP, to a deficit of 1.5 per cent.

Main factors were a surge in imports (largely unification-related) and much more modest growth in exports. The deficit on invisibles also widened for four reasons: soaring tourism payments; a sharp drop in net investment income, as appreciation of the D-Mark meant large valuation losses on foreign assets; loss of military receipts with the withdrawal of allied troops; and rising net transfers abroad.

"As long as eastern Germany's investment needs continne to outstrip its domestic *savings ahility*, and the required *'external'* funds are not provided through expenditure switching in western Germeny, the external current account deficit may be expected to remain in deficit," the OECD concludes.

The OECD is loath to criticise any German institution too openly, but it does allow *some questions about the ade*quacy of the Bundesbank'e M3 measure of money supply to creep into its analysis, and therefore some implicit questioning of the strictness of its interest-rate straitjacket.

It also points out that inflation has been caused by several factors which do not respond easily to the Bundesbank's lead interest rates: tax-push effects and administrative price rises in east Germany; service sector inflation; and structural excess demand in the housing market, forcing np rents and construction costs.

It urges the central bank to use all its room for manoeuvre to keep cutting interest rates, suggesting a decline to 5 per cent on short-term rates by the end of 1993, and to 4 per cent by the end of 1994.

As for the federal government, the criticism is mainly *of past policy failures. The* OECD economists say the costs of unification were not seen in time, and the fiscal adjustment was also far too late.

The solidarity pact negotiated with the federal states last March has gone some way to stabilising state spending and the rising deficit. But it relies too much on increasing direct taxation from 1995, too little on cutting subsidies in the west. The latest DM21bn savings package in the west is much more like it – concentrating on expenditure, not taxation.

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Overnight rate cut in France

By Alice Rawsthorn in Paris

THE Bank of France yesterday continued its cautious repair of the damage caused by the European currency crisis hy lowering overnight interest rates for the fourth time in 10 days. The rate was trimmed by half a point to 8.25 per cent.

However, the bank left its key intervention rate at 6.75 per cent and also held the 5-10 day lending facility at 10 per cent. Economists suspect that the French are awaiting the outcome of next Thursday's meeting of the Bundesbank council.

Although the franc has stabilised this week, the central bank's own financial position still shows the strain of the crisis. The bank yesterday disclosed only a slight reduction in the deficit on its foreign currency reserves, to FFr175bn in the week to August 12 from FFr188bn in the previous week.

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Tokyo orders blitz against regulations

By Gordon Cramb in Tokyo

JAPAN'S new coalition government promised yesterday to produce within a month an emergency programme aimed at deregulating the economy.

Its intention is both to curb the rise of the yen and ensure that the benefits of the currency's present strength are felt by consumers.

Each ministry is being told to identify regulations that could be lifted to achieve those ends - ranging from import barriers to price controls. The electricity power federation last night yielded to official pressure to cut its charges, in order to reflect cheaper imported energy.

The initiative, decided at the first meeting yesterday of a special ministerial council on the economy, followed persistent calls for action from industry, which is suffering under the twin burdens of a prolonged slowdown at home and a currency squeeze on export earnings.

The move also reflects the wish of Mr Morihiro Hosokawa, who became prime minister last week and chaired yesterday's meeting, to tilt the balance of economic power in Japan from producer to consumer.

His seven-party administration was elected on a platform of political reform, but Mr Masayoshi Takemura, its chief spokesman, acknowledged yesterday that the state of the economy and the foreign exchange markets meant "we are now snowed under by these daily issues instead".

Mr Hosokawa later met Mr Gaishi Hiraiwa, chairman of Keidanren, the largest business federation, and agreed the yen had gone further than economic fundamentals justified.

The government appeared not yet to have decided whether the measures put in train yesterday, which it said would be ready by September 20, should include a fiscal stimulus. Mr Takemura said only that ministers would seek to ensure that two packages of public works spending and tax cuts, unveiled in the past year by the previous Liberal Democratic government and totalling Y23,900bn (£157bn), had their desired effect.

By contrast, the electric power federation said its plan to cut consumers' bills would put just Y150bn into the economy.

Mr Hirohisa Fujii, finance minister, endorsed the view expressed on Wednesday by Mr Yasushi Mieno, governor of the Bank of Japan, that no further cut in the central bank's official discount rate from its present 2.5 per cent was yet needed.

Mr Takemura admitted that there were "wide-ranging viewpoints" at the meeting.

Ms Manae Kubota, director general of the economic planning agency, said the EPA would not withdraw a declaration made in July that the economy had bottomed out, although acknowledging "new unfavourable factors". These included the dampening effects on consumer spending of a cool summer, as well as the impact on international competitiveness of the yen's further rise.

Mr Fujii, citing the same factors, said they made the outlook "even more austere". The best way to deal with it was by passing on its benefits to consumers, he added. The yen fell against the dollar after the meeting, closing in Tokyo at Y101.98 after trading as high as Y101.10. It was down Y0.51 on the day.

Ms Manae Kubota: "New unfavourable factors"

Turkey wants to open Iraq oil pipe

By John Murray Brown in Ankara

TURKEY is to urge the UN to lift sanctions on Iraq's oil export pipeline, in the first sign of a shift in Ankara's policy towards Baghdad.

Mr Volkan Vural, senior adviser to Prime Minister Tansu Çiller, said yesterday reopening the Iraqi pipeline was the foreign policy priority, and would be the centre of discussion when Mrs Çiller goes to Washington next month.

Although Turkey insists it is not considering unilateral action on lifting sanctions, Mrs Çiller's government has adopted a more conciliatory approach, in contrast to President Suleyman Demirel, who made oblique criticism of the government this week.

"Have sanctions removed Saddam Hussein or have they led to the suffering of the Iraqi people?" asked Mr Vural.

A recent report from the Food and Agricultural Organisation estimated Iraq's food import needs at around $2.5bn (£1.7bn), and warned that pre-famine conditions now prevailed.

However, Turkey is equally anxious that the current crisis should not jeopardise its long-term economic relations with Iraq, which before the Gulf war was its second largest trade partner. There is also concern at the deteriorating state of the pipeline, which has been shut since August 1990, when under resolution 661, Turkey informed the Iraqis it was suspending loadings at Yumurtalik, Turkey's Mediterranean oil terminal.

The two pipelines have a capacity of around 76m tonnes a year, and link with Iraq's Kirkuk oil fields. Turkey is losing an estimated $750,000 a day as a result of the closure. More than that, the sanctions have devastated the border trade with Iraq that is vital to Turkey's impoverished south east.

"The members of the Security Council should understand that it is unfair to make Turkey suffer for this," Mr Vural said.

Turkey is launching "exteosive discussions" with its allies, he said, and would present its proposals when the UN Security council met on Iraq on September 20.

Israel writhes under the goad of Hizbollah

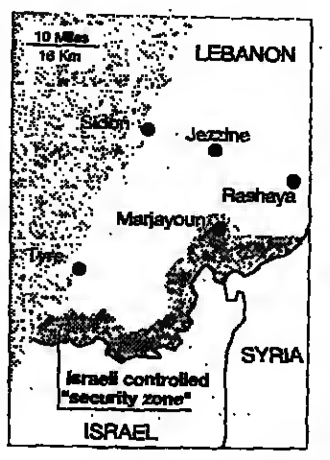
Armed conflict risks overtaking diplomatic peace efforts, writes Julian Ozanne in Jerusalem

ISRAEL'S problems in southern Lebanon refuse to go away. Just as the Jewish state was congratulating itself on last month's devastating seven-day offensive against Lebanese civilians, intended to curb attacks by the pro-Iranian Hizbollah militia, an increase in regional violence is back on the agenda.

The death of at least seven Israeli soldiers in southern Lebanon yesterday in Hizbollah attacks, followed by immediate retaliatory strikes by Israeli aircraft, has underlined the continuing fragility of the region.

It has also raised the prospect of armed conflict overtaking diplomatic peace efforts and re-opened the fault lines between Israelis who argue for a more intensive peace drive and those calling for tougher military measures.

Once again violence in southern Lebanon is driving Mr Yitzhak Rabin, Israel's prime minister, to weigh up (for the second time in a month) whether to pursue the diplomatic track or risk scuttling peace talks by more serious military action.



Suspicions that Syria, the main power-broker in Lebanon and the arms conduit to Hizbollah, tacitly allowed yesterday's attacks have also dented recent Israeli hopes of a real change in relations with Damascus. Israelis point out that yesterday's attacks came after Syria reprimanded the Lebanese government for deploying troops in southern Lebanon – a move which could have restricted Hizbollah activities.

For 15 years, Israel, in defiance of UN resolutions, has been trying to "purge" Lebanon of hostile Arab guerrillas. Today that goal is as elusive as it was when Israeli soldiers first crossed in substantial force into Lebanese territory in 1978, and later, in 1982, marched all the way to Beirut.

Indeed, many Israeli military experts believe the country is now facing its most effective enemy in Hizbollah, which took over resistance to Israel after most Palestinian guerrillas were forced to flee Lebanon during the 1982 Israeli invasion.

This year alone there have been more than 600 attacks on the self-styled Israeli "security zone" in southern Lebanon. Yesterday's incident brought the casualties for 1993 to at least 16 soldiers killed and 29 wounded. Furthermore, Israeli military analysts say the highly mobile Hizbollah is much better armed this year, with Iranian supplied Sagger anti-tank missiles and Strela shoulder-mounted anti-aircraft missiles. With the assistance of Iranian officers, it is also better trained.

The Israeli public has come to expect revenge attacks and the pressures for serious military action is especially intense given that the government has been telling the public that last month's offensive, in which 130 Lebanese were killed, was a decisive blow against Hizbollah.

Mr Rabin, a former army chief who embodies the belief that diplomacy must be backed by force, will also come under intense lobbying from military hardliners and Israeli hawks led by Mr Ariel Sharon, the former defence minister responsible for the disastrous 1982 invasion.

Mr Sharon has called for an expansion of the security zone by the creation of a "supplementary zone" between the Litani and Awali rivers where Israeli troops and their Lebanese proxies would have freedom of action without maintaining a military presence. "Villages in the zone which have concealed terrorists for years should no longer be left standing," he wrote recently.

Few Israelis back Mr Sharon's military adventurism. Most fear being sucked into another Lebanese quagmire like the 1982-85 campaign, where 654 Israeli soldiers died and thousands were wounded.

But many also believe that Israeli aerial and artillery retaliation leave the underlying problems unsolved. Some hardliners, therefore, see an answer to the problem in suspending peace talks with Syria.

"More Israeli retaliation is futile. We should tell Syria to go to hell," said Brig Gen (Res) Aharon Levran, former deputy head of military intelligence. "Hizbollah is a whip in Syrian hands to hurt Israel and we should not talk peace with them any more. The problem is that this government wants peace at any price. They want to put their names in the annals of history and they don't give a damn about the true and cruel realities."

However, a majority of the government and the public still recognise that only a comprehensive Middle East peace deal will solve Israel's problems in southern Lebanon. "We must prevent ourselves being tempted into deeper military involvement in Lebanon or we will have casualties like this every day," said Mr Ran Cohen, an MP from the left-wing Meretz party. "Military action will not stop the violence; only a peace agreement will stop it. This is the only way."

Attacks by Hizbollah, combined with suspicions of Syria, weaken the voices of reason and moderation in Israel and threaten wider conflict. But the lesson of Israel's actions in Lebanon in the 1970s and 1980s is apparent to all but the most diehard Israelis: that violence is no substitute for genuine negotiation. Israelis who are seriously committed to peace hope the same message is understood in Syria.

Setback for Taiwan president

TAIWAN'S President Lee Teng-hui yesterday suffered a setback in his efforts to replace conservatives on the ruling Kuomintang or National party central committee with more progressive politicians, writes Dennis Engbarth from Taipei.

Of the president's 210 nominees for the central committee, 58 lost in the elections at the party's 14th congress.

Mr Hsieh Shen-shan, deputy secretary general of the party, said that, "facing a new situation and fierce competition", the fact that 72.3 per cent of nominees were elected "was a success".

But conservative delegates critical of Mr Lee gained between 35 and 40 seats on the central committee.

This showing should be sufficient to secure several seats on the central standing committee, the Kuomintang's top policy-making body, which the central committee will elect next Monday.

New currency for Turkmenistan

The former Soviet republic of Turkmeniatan yesterday announced it would issue a national currency at par to the dollar on November 1, Reuter reports from Moscow.

President Saparmurad Niyazov, of the Central Asian republic, which is the world's third biggest gas producer, said Russian roubles would be gradually replaced at an exchange rate of 1,000 roubles to each unit of the new currency, the manat.

Mr Niyazov, quoted by the Russian Interfax news agency, did not say how the government would back the manat at this rate, or how much Turkmenistan had in foreign currency reserves.

Mr Niyazov promised that the minimum monthly wage would be 150 manats and average pay the equivalent of $370 to $400 after the exit from the rouble zooe takes effect.

UN agrees new aid for Angola

The United Nations yesterday agreed fresh aid for Angola, as the government reported that people were starving in the besieged city of Cuito, Reuter reports from Luanda. The UN World Food Programme said it would mount a six-mooth $56.7m (£38m) emergency operation for nearly 2m people in Angola.

The WFP had suspended flights to many cities for several weeks, including Cuito, because of attacks on its aircraft by Unita rebela, but a WFP apokeawoman said aid flights had resumed this week and the agency was increasing overland deliveries.

Indian TV launches a real carry-on

Producers' fight for air time descends into farce, writes Shiraz Sidhva

THE launch of five new television channels last Sunday – Independence Day – gave Indians a freedom long denied them by Doordarshan, the country's state-owned broadcaster.

It was responding belatedly to the challenge of Star Television, the Hong Kong-based satellite broadcaster which has attracted a huge audience in India with its five channels: entertainment in English and Hindi, an Asian version of the MTV music channel, sport and BBC World Service Television.

However, the new offerings from Doordarshan, an unwieldy, bureaucratic organisation which previously had only two terrestrial channels, did not begin auspiciously.

Those fortunate enough to have an additional satellite dish jeered the menu of old Indian films and dated programmes from the archives.

In line with the government's programme to open up the economy, the launch of the satellite network using India's new Insat-2B satellite had been intended to coincide with much greater use of privately produced material. But Doordarshan's attempt to offer slots to producers on a first-come-first-aerved basis has descended into farce.

Fearing they would he elbowed out by a rush of more aggressive hidders, seasoned producers, such as Mr Prannoy Roy of New Delhi Television and Mr Ishwari Bajpai of Octave Communications, deputed employees to queue outside Doordarshan's commercial office on Delhi's Tolstoy Marg on June 23, nearly two weeks before what was then the applications deadline.

Production company employees queue for days for slots on the new satellite TV service

The queue became longer by the day as more than 300 people braved the monsoon rain. Producers say their men have been offered up to Rs50,000 (about £1,100) to relinquish their places.

Those left out took the matter to the courts. Bennett Coleman, owners of Times Television and the Times of India group of publications, challenged the queue's validity. An interim district court judgment ordered police to dismantle it, allowing it to be re-formed two hours before the opening of the applications counter.

The queue refused to disperse. Mr Roy went to the Delhi High Court, which appointed a registrar to verify the truth. Prominent film and television personalities, such as Bombay film producers Ramanand Sagar and Saeed Myrpa, and television magazine producers Madhu Trehan and Karan Thapar, have turned the sidewalk into a tourist attraction.

Two parallel queues have formed, one of which includes representatives from newspapers including the Indian Express, Times of India, and Hindustan Times. The battle, waged with equal ferocity in the courtrooms as in the columns of the newspapers, remains unresolved.

The Information and Broadcasting Ministry, however, had promised to launch the new chaonels on Iodependence Day. It was forced to assure the courts that it would use ooly in-house programming.

Doordarshan is finding it difficult to keep pace with the appetite of the new channels. "It's like expecting a roadside food vendor to cater to a five-star hotel clientele," says a senior official.

Doordarshan is paying for its dismissal two years ago of Star TV as a "one-day wonder", a luxury that only a handful of the country's elite would he able to indulge in. Star TV, 64 per cent of which was recently hought by Mr Rupert Murdoch, now has an Indian audience of 16.8m. Though Doordarshan's reach remains enormously bigger than Star's, the Hong Kong-based network will he the biggest competitor for advertising revenue.

Other adversaries are emerging in Asian skies, including:

- A consortium comprising Time Warner's HBO Asia, with access to Warner Brothers and Paramount films; Turner Broadcasting Systems, which owns CNN; ESPN International, the sports network; Viacom, owners of MTV; Australia's AUSTV; and Hong Kong's TVB.
- The Asia Television Network, which has a bank of more than 3,000 Hindi films through an arrangement with Cable Master, a video film company, and a tie-up with Sun TV of Madras to screen films in regiooal languages.
- Regional language channels such as Asianet, which will beam programmes in Malayalam, the language of Kerala, starting oo August 29, through transponders hired from the Russian Ekran satellite.

"Even three years ago, we had the chance to lead the wave of government deregulation and enhanced technology in Asia, but we did little to capitalise on it," admits a Doordarshan official. "Now that we have woken up to the fact that Asia is indeed televisioo's most exciting frontier, and India is one of its largest audiences, we will have to make up for lost time."

Last strike ends at Hyundai

By John Burton in Seoul

A 10-WEEK round of strikes at Hyundai, South Korea's largest conglomerate, finally ended yesterday when 52 per cent of the workers at its shipbuilding subsidiary agreed a pay pact.

Hyundai Heavy Industries (HHI) was the last of oine Hyundai companies to resolve the labour strife that first began oo June 5.

Hyundai is estimated to have lost Won900bn (£760m) in sales as a result of the indostrial action, which involved 60,000 workers.

The action has affected the Korean economy. When the central bank recently reduced its 1993 GNP growth forecast from 6 per cent to 5.7 per cent, it largely blamed the Hyundai strikes for the revision.

The Hyundai workers were mostly unsuccessful in achieving their demands during wage negotiations.

They struck for an average pay increase of 16 per cent, although most finally settled for the 4.7 per cent wage raise offered by management, in addition to production bonuses and fringe benefits.

Workers were also forced to abandon their demands for a working week of 40 hours instead of 44 hours and a say in management and personnel decisions.

HHI workers agreed to end their strike, which began on July 5, after the government threatened to intervene tomorrow and impose a 20-day rooling-off period.

US jets raid north Iraq missile site

By Our Middle East Staff

US AIRCRAFT attacked and destroyed an Iraqi missile position just west of the northern city of Mosul yesterday, according to the Pentagon in Washington.

Six aircraft were involved in the attack, which was made in response to the launching of two Sam-3 missiles. The US statement did not say whether the missiles had been aimed at the aircraft.

An Iraqi spokesman in Baghdad claimed that the US attack had been unprovoked and its anti-aircraft battery had opened fire in self defence. He added that a soldier and a civilian had been wounded.

Mosul is within the air exclusion zone north of the 36th parallel, which US aircraft patrol daily to protect the Kurdish population. The northern "no-fly" zone was imposed more than two years ago.

Indonesian finances hit by yen surge

By William Keeling in Jakarta

INDONESIA may suffer a 10 per cent financing gap in its annual budget as a result of the Japanese yen's appreciation and lower than expected oil prices.

Economists estimate that 40 per cent of Indonesia's $55bn (£37bn) foreign public debt is denominated in yen. Interest and principal repayments for fiscal 1993 were budgeted at $8bn but with the yen's appreciation could rise to nearly $9bn, say economists in Jakarta.

While about a third of Indonesia's exports go to Japan, the three main items – oil, liquefied natural gas and plywood – are traded in US dollars. Indonesia, therefore, has to buy yen to service its yen-denominated debt.

Meanwhile, the average oil price since April has been less than the $18 per barrel assumed under the 1993 budget.

Aids saps the vitality of Uganda's economy

Leslie Crawford reports on the many family tragedies making a national disaster

NAKABUBI'S village was in mourning last month. Nobody grieved for the death of yet another Aids victim more than this 31-year-old widow. Her husband had already died of Aids, and this latest victim was godfather to her youngest son. He had promised to help with school fees. Now he is dead, Nakabubi must struggle alooe.

Most of the widows in villages across western Uganda have lost their husbands to Aids. And in a country were women are regarded as chattels, widows often lose more than just their husbands.

Another widow, Mabel, was evicted from the family home by her in-laws when her husband died in 1990. They also sold her cows, "to pay for my husband's hospital hills". When she clung to a small banana plot, her brother-in-law stole the harvest. When she, too, fell sick, the same man took her four children away. "If I could only earn a little money," she says, "I could get my children back. Give them love while I live."

The southern districts of Masaka and Rakai, once known as the granary of Uganda, bear the heaviest burden of the Aids epidemic outside Kampala, the capital. Out of the 38,552 Aids cases reported in Uganda by the end of last year, almost 8,500 were in these two districts.

Every family knows of a relative or a friend afflicted by the condition. Production of the two main cash crops, coffee and bananas, is dwindling because Aids is attacking adults in the prime of life. Often, the surviving partner also has the virus and chooses to expend his or her dwindling energies producing food crops for the family's subsistence.

Health workers in Masaka say the disease is killing what was a thriving market town. "With fewer farmers coming to market, the town merchants are going out of business or cutting their losses by moving to Kampala," says Mr Elias Mugisha, an Aids counsellor who works for TASO, a Ugandan non-government organisation which cares for Aids and HIV sufferers.

Tha World Bank, which plans to finance a study on the impact of Aids on the Ugandan economy, estimates Aids-related deaths will reduce Uganda's population growth rate from 3.7 to 3.1 per cent from 1995 to the turn of the century. The crude death rate, which at 20 per 1,000 is already twice the average among low-income countries, is likely to rise to 26 per 1,000 during this period.

The deaths are sapping the strength of Uganda's predominantly rural economy. "Agriculture is suffering," says Mr Keith Muhakanizi, an economist at the Finance Ministry. "As yet, I don't have macro-economic data to sustain this assertion, but a trip to any village will bear this out. Cash crops are being abandoned in favour of essential food crops as labour loses productivity."

Exports of coffee, Uganda's main cash crop, have fallen from a recent peak of 176,453 tonnes in 1989 to 123,883 tonnes last year. But low commodity prices and bad weather have also contributed to the decline.

Beyond issues of output and productivity, Mr Muhakanizi says the cost of caring for Aids patients is eating up people's savings, leaving less to invest in economic development.

Government and non-government organisations report that families resent spending their meagre resources on medication for patients they know will die. Where charities try to provide bed sheets and other basic comforts for Aids sufferers, they often find that relatives sell the donated goods to recoup the cost of caring for the patient.

Aids is also putting an intolerable strain on the extended family network, which is the only form of social insurance most Africans have. In Uganda, where annual per capita income is a mere $167, one of the lowest in sub-Saharan Africa, the responsibility for housing, feeding, clothing and educating Aids orphans is often beyond the means of most rural households.

The problem is not confined to rural areas. "One of our best-trained economists died of Aids last month," Mr Muhakanizi regrets. He says companies are likewise losing skilled workers and can no longer afford to provide medical care schemes. "Even our surplus labour will not alleviate the problem in the long run," he says.

Mr Manuel Pinto, the director of Uganda's Aids Control Programme, has resigned himself to the fact that the disease will continue to be the main killer in Uganda for the foreseeable future. "Aids takes a long time to manifest itself, so we are a long way away from seeing the reversal of the epidemic, or the fruits of our prevention efforts," he says. The rate of HIV infection varies from 5 per cent in some rural areas to 30 per cent in urban areas, and according to government data it is still rising.

"Children are our window of hope," Mr Pinto says. "We are trying to educate those between the ages of five and 15 so that they are kept free from Aids."

The problem is compounded by the practice of polygamy and the low status of women in Ugandan society. But slowly, Mr Pinto believes, the government is getting its educational message across. Agencies such as TASO report that polygamy in the countryside is on the wane, and that more people are using condoms.

NEWS: THE AMERICAS

US airlines face 'creeping crisis'

By Lisa Bransten in Washington

INCREASING restrictiveness in the world's skies is a "creeping crisis" that threatens to cripple US airlines and ultimately the US economy, according to Mr Gerald Baliles, head of a federal commission set up to analyse the industry.

Formally unveiling the commission's proposals yesterday, Mr Baliles urged the government to work towards increased access to foreign markets and to cut the tax and regulatory burdens on US airlines.

He also called for modernisation of the air traffic control system, including the adoption of satellite technology known as the Global Positioning System, to increase system capacity.

The National Commission to Ensure a Healthy, Competitive Airline Industry was established in April to look into ways of ensuring the future competitiveness of the US industry, which has lost $10bn in the past three years but seems to be returning to better health in tandem with the US economy.

While many analysts believe that the airline industry is beginning to revive along with the general economy, Mr Baliles emphasised that the industry would never be sound without substantial structural change.

He said he feared other nations would renege on bilateral airline access agreements because the US had become the world's lowest-cost competitor. He urged faster negotiation of multilateral access agreements to keep US airlines from losing business to protected foreign carriers.

"We are not optimistic that these kind of changes in the international system can be achieved overnight but we have an obligation to begin those negotiations," he said.

The commission also recommended that foreigners be allowed to purchase up to 49 per cent of the voting stock of US airlines – a move likely to face opposition in Congress. However, the change might provide the US with some leverage to pry open international skies, Mr Baliles said. Commissioners suggested that the move be contingent upon increased access to the purchaser's home market.

The commissioners rejected a return to the tight regulation of the industry that was abandoned in the late 1970s.

However, it proposed that a financial advisory committee be established to monitor the behaviour of at-risk carriers.

Mr Stephen Wolf, chairman of United Airlines, welcomed the commission's recommendations. "United strongly supports the negotiation of multilateral agreements – as opposed to conventional bilateral agreements – between the US and foreign governments," he said.

Airlines must fly solo, Page 10

Play it again and again, Uncle Sam

Nikki Tait finds a controversial and litigious market in second-hand compact discs

THE SIGN in the window is discreet and handwritten: CDs for as little as $2.99 (£1.97). But the savings to be garnered inside this downtown Manhattan record shop in New York are anything but modest.

Products at $2.99 may be rare but used compact discs in the $6-$10 range are plentiful. For example, Next Exit, Grover Washington's 1992 album, is being sold for $8.99. The same CD, purchased new in Tower Records, one of the biggest mainstream record stores in the area, costs $14.99.

Shops like this have become the focus of a crackling debate in the US, leading in the past month to lawsuits and heated accusations.

On one side are retailers and consumers, interested in being able to buy and sell recordings at the best price. On the other are some of the largest US record labels and well-known recording artists. They are concerned that sales of used CDs will cut into new purchases, and that royalty flows will be reduced. (Royalties are usually levied only when an album is first sold.)

The volume of business in these sharply discounted, second-hand CDs is reckoned to be small. The Recording Industry Association of America, a Washington-based trade group, says total sales of CDs rose by 22.3 per cent to 407.5m units last year, or over $5bn in value. Used CDs are estimated to account for only 1-2 per cent of this.

But the second-hand market's growth potential could be considerable. Many music retailers would like to exploit it. A second-hand CD is unlikely to be noticeably inferior in quality to a brand-new product – unlike a vinyl record, or even a cassette tape. Mr Russ Bach, president of Thorn-EMI's CEMA Distribution arm in California, recently forecast that, "if left unattended, the used CD business will grow to about 20 per cent of unit volume by 1998".

Small, independent music retailers have dealt in used CDs for some time. But the stakes were raised last winter when Wherehouse Entertainment, a US west coast chain, moved into the market. Wherehouse operates 339 outlets and was the first retailer of any size to defy the distributors' wishes.

The wrath of some of the biggest companies descended

The wrath of some of the industry's biggest companies – such as CEMA, Sony and Time Warner – descended. They withdrew advertising and promotional support for all retailers dealing in second-hand CDs.

Wherehouse has fought back in the law courts. Last month, it launched a suit against four of the biggest record distribution companies – CEMA, Sony Music Distribution, UNI Distribution (part of MCA, now owned by Japan's Matsushita) and Warner Elektra Atlantic.

In its complaint, the retailer alleges that prices of new CDs were being maintained "at artificially high levels", and that the four distributors had "combined... unreasonably to restrain trade... in used CDs."

It points out that the same distributors operate "record clubs" which advertise and sell CDs at a substantial discount to shop prices. Wherehouse also argues that its own second-hand CD sales are an effort to stay competitive with these record clubs. Distributors, it says, are worried that the secondary market in CDs will threaten clubs' viability.

Wherehouse's legal action has been followed by the Independent Music Retailers' Association – about 150-200 "mom and pop" music stores formed to fight the distributors over second-hand CD sales. Like the Wherehouse suit, IMRA's class action is filed in Los Angeles courts. It alleges price-fixing and unfair trade practices.

Mr Don Rosenberg, one of IMRA's founders and owner of the 15-outlet chain Record Exchange, says there is no law against selling second-hand CDs. He also notes that the royalty issue has not stopped second-hand trading in other industries.

Mr Rosenberg claims, more controversially, that the sale of second-hand CDs does not depress new CD business, and points to his own stores' experience as evidence. Here, big distributors beg to differ. "There is no such thing as a small sideline when you are taking royalties from artists, producers, songwriter, publishers, musicians and artist managers, and taking margin away from the record company," claimed Mr Bach in Billboard magazine last month.

"If used CDs hit the main record channels of America and become widely accepted by consumers, and if CEMA supports retailers selling used CDs, then we will be cutting off our own future."

While the lawsuits grind on, the Federal Trade Commission is also understood to be looking at the issue. In line with its usual practice, though, the government anti-trust agency declines to confirm any specific investigation.

Not all distributors think like the retailers named in the Wherehouse suit. Retailers say that PolyGram, for example, has a different policy, arising from the notion that the industry must learn to live with sales of used CDs. In London, PolyGram refused to comment.

Judging by the number of people in the downtown Manhattan store, there is no doubt where consumers' sympathies lie. "Customers love it," says Wherehouse. "As long as we're involved in a legal business and the distributors are involved in illegal restraint, the lawsuits will continue".

Amazon tribal 'massacre'

By Christina Lamb in Rio de Janeiro

THE Brazilian police yesterday began investigating a reported massacre of up to 19 Yanomami tribal people – the second such incident in two months.

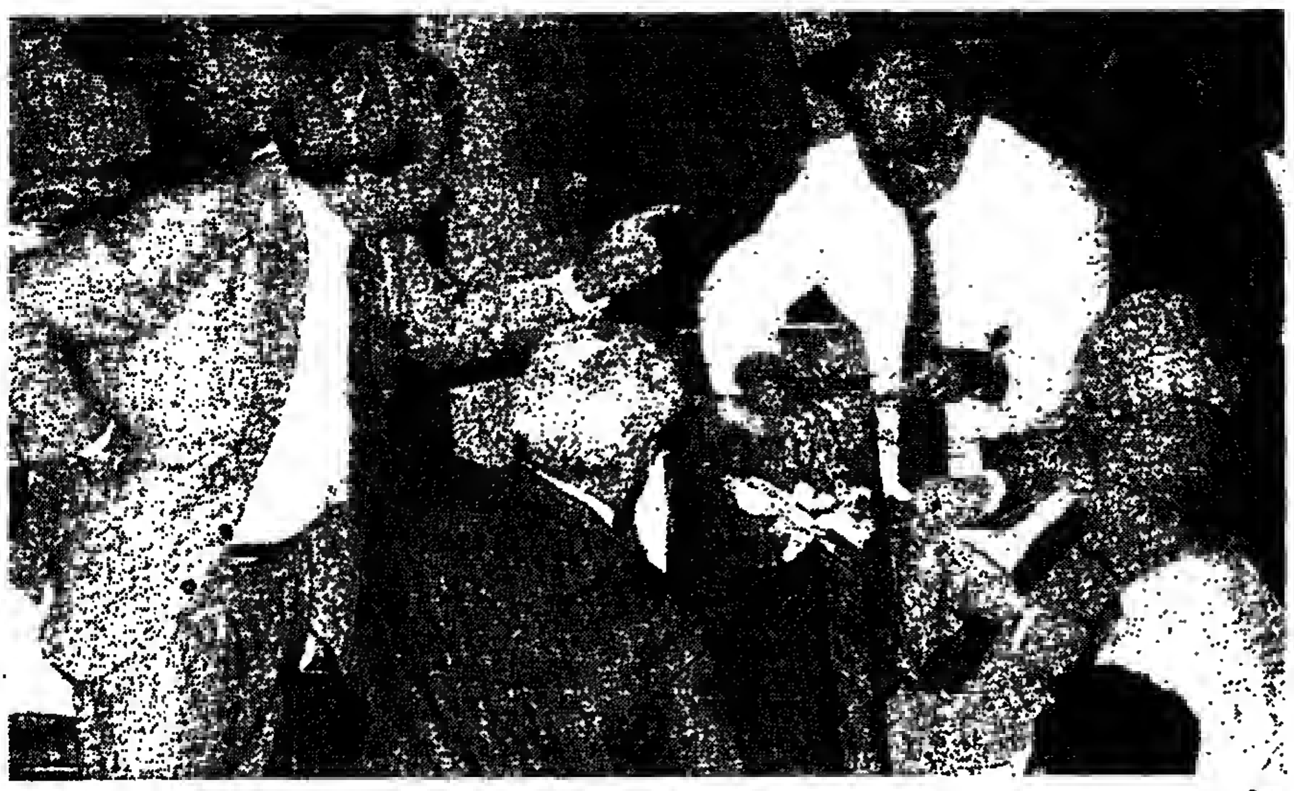
It is alleged to have been carried out by *garimpeiros* (itinerant goldminers), and the killings have set off new fears for the Amazon's most populous indigenous tribe.

Between 14 and 19 Yanomami men, women and children were reported as decapitated by machetes at the remote settlement of Haximu in the northern state of Roraima, according to officials of the National Indian Foundation (Funai).

In a similar incident in July, five or six Yanomami were murdered in the same region.

The motive for the tribal killings is unknown but there has long been tension between the *garimpeiros* and the Yanomami, whose lands encompass what are thought to be some of the world's richest mineral deposits.

Two years ago, after international pressure, the government declared a 9.4m hectare reserve to protect the estimated 9,000 remaining Yanomami and expelled the goldminers, who were bringing violence, disease and pollution into the area.



Reuter

Brazilian Congress members collect money showered on them from the gallery by spectators protesting at a "sell-out" over pay curbs

Brazilians curb wage adjustments

By Christina Lamb in Rio de Janeiro

BRAZIL'S economics team was yesterday celebrating its most impressive victory in the federal Congress to date.

The congress voted by 318:144 late on Wednesday night to pass government legislation granting monthly wage adjustments of 10 percentage points below the monthly inflation rate.

The vote brings to an end a battle begun two months ago when the Congress approved monthly wage adjustments keeping fully abreast of inflation.

The horrified Finance Ministry estimated then that such full adjustment would cost the government the equivalent of an extra $11bn a year on pensions and salaries.

The change on Wednesday night was the result of frantic lobbying by government members. In a final bid for help, Mr Winston Fritsch, chief economic policy maker, presented Congress members with figures to show that inflation would top 50 per cent a month in December if the full adjustment were retained.

A jubilant Mr Fernando Henrique Cardoso, finance minister, appealed for patience yesterday: "We won't do anything crazy such as shock plans, price freezes, dollarisation or prefixing of prices."

NEWS: WORLD TRADE

Delays in Taiwan Aerospace joint venture, concedes BAe

By Daniel Green

BRITISH Aerospace conceded yesterday that talks on finalising the arrangements for a £250m joint venture with Taiwan Aerospace Corporation (TAC) were "taking longer than we had anticipated".

BAe, which three weeks ago said it regarded the deal as a certainty, was responding to reports that Mr Yang Shih-chien, the Taiwanese vice economics minister, had said the deal could still collapse.

Mr Yang has been closely involved in the establishment of the venture and blamed differences over the financing of the joint venture, called Avro. BAe said that this was the main subject of the talks still to be resolved.

BAe shares fell 14p to 454p on the news because the deal is central to BAe's drive to return to profitability. It would mean that manufacturing of the RJ range of regional jets would be partly carried on in Taiwan, which is close to the fast-growing markets of east Asia and which offers lower labour costs.

The stumbling block in the talks is thought to centre on the question of collateral for loans to Avro.

Several banks both own stakes in Avro and are lending it money. But Taiwan banking law prohibits a bank from extending unsecured financing to a venture in which it holds more than 3 per cent.

Behind this obstacle lies concern among some Taiwan investors that the project might not make money. One of the reasons BAe needs a partner with strong manufacturing capability and access to markets is that its regional aircraft business has lost money for several years.

TAC, 29 per cent owned by the government, and British Aerospace signed an agreement in January 1993 to form a 50-50 venture making the RJ family of regional passenger jets, which would be assembled in Taiwan and the UK.

Mr Yang last month confirmed that the government would increase its direct equity holding in TAC to 39 per cent.

This holding will be through two bodies: a government development fund, which will lift its stake in TAC from 24 per cent to 29 per cent, and the state-run Chiao Tung Bank, which will raise its stake from 5 to 10 per cent.

The China Development Corp, owned by the ruling Kuomintang party will also take a 10 per cent share.

EC and Turkey in law harmony talks

By John Murray Brown in Ankara

TURKEY and the European Community are negotiating a framework timetable for the harmonisation of legislation, to pave the way for full customs union in January 1995.

Turkish and EC trade officials have less than two months to agree a legislative agenda to bring Turkish commercial and trade law in line with the EC, before it is presented to the Turkish-EC Association Council meeting on October 4.

The move is the final stage on the road to customs union which is seen by Turkey as a step towards full EC membership.

Turkey's formal application for EC membership was presented in 1987 and politely shelved in 1989.

But Turkish officials are increasingly concerned that, in the process of EC "enlargement", Turkey is being overtaken in the queue by central and eastern European countries.

Average protection rates for EC industrial goods are around 15 per cent, according to EC calculations.

Under the additional protocol to Turkey's 1964 Agreement of Association, to achieve a customs union Turkey has to reduce import duties on EC goods to zero and adopt the community's common external tariff

US seeks less chip reliance on Japanese

By Louise Kehoe in San Francisco

THE US Commerce Department has put forward plans to increase government-sponsored efforts to reduce US semiconductor manufacturers' heavy dependency on Japanese suppliers of ceramic semiconductor packages.

Mr Ronald Brown, commerce secretary, stopped short of recommending that President Bill Clinton invoke powers to limit imports or order that a quota of US government purchases be made from domestic suppliers.

The ceramic packages are used to house some types of semiconductor chips, including most microprocessors and many of the chips used in military equipment. Japanese suppliers, led by Kyocera, dominate the world market, supplying over 90 per cent of ceramic packages for chips used in some US weapon systems and an estimated 60 per cent of those used in commercial semiconductor products.

The decision follows an incident that showed the vulnerability of the semiconductor industry to interruptions in supplies of critical materials.

An explosion at a Sumitomo Chemicals plant in Japan is raising serious concerns about a possible shortage of epoxy resins used to make semiconductor packages for standard devices such as memory chips.

The Commerce Department plan, announced on Wednesday, follows a nine-month study of the semiconductor ceramic packaging industry, prompted by a petition filed last November by two US ceramic package makers – Coors Electronic Package and Ceramic Process Systems.

The US companies claimed that dependency on Japanese suppliers of ceramic packages was a threat to US economic competitiveness as well as to military security.

The department concluded that imports do not now represent a national security threat.

Mr Brown also directed the US Bureau of Export Administration to review criteria for determining what constitutes a "national security threat" after the ending of the cold war. Industrial competitiveness might be included.

The case has been closely watched as a bellwether of the Clinton administration's stance on government intervention to protect strategic US industries.

However, the department's apparent reluctance to impose limits on imports is believed to have been influenced by the opposition of US semiconductor manufacturers.

Focus of S Africa reforms shifts to trade

Philip Gawith on the revised offer to be presented to Gatt

WHEN South Africa started on the road of political reform in 1990, this was as much a function of the crippling economic cost of apartheid as it was a reflection of the moral and political bankruptcy of that policy.

Since then, the country's faltering political fortunes have bogged the limelight. Later this month, however, South Africa will present a revised trade liberalisation offer to the General Agreement on Tariffs and Trade (Gatt), which forms part of a revision of trade policy as fundamental as the political reform under way.

Mr Stef Naude, director general of the Department of Trade and Industry, comments: "Without a doubt, this is the biggest reform of trade policy ever undertaken in this country."

The aim of the reform is simple: the transformation of the existing industrial base, fed for decades on a diet of political isolation, import substitution and strategic self-sufficiency, into an internationally competitive, export-led *manufacturing* sector.

The Gatt offer is but the first of *many* initiatives which include reform of export incentives, investigation of export processing zones, more efficient anti-dumping legislation, a trade agreement with the EC and the future of the South African Customs Union.

Pursued against the background of a weak economy, unemployment running at over 40 per cent and fundamental political transition, it is a Herculean labour.

No longer can government unilaterally decree policy changes. Democracy, transparency and consultation are the new *watchwords*. When it comes to economic policy, the imprimatur of the National Economic Forum, the tripartite body where business, labour and government are represented, must be sought.

At least in the area of trade policy, there is fairly broad consensus among these three groups as to the way forward. Nobody would argue with the premise, contained in the government's recently published Normative Economic Model, that "Much of the country's future economic prosperity will be determined by its ability to play a bigger role in international trade in industrial goods."

This clearly requires conformity to Gatt, whose signatories all benefit from "most favoured *nation" status* and "national treatment" – the first ensuring that any tariff cut offered by one country to a second must automatically be extended to all other trading partners, and the second guaranteeing that an exporter is treated just as a local company is treated.

"There is no way South Africa can fully reintegrate into the global economy outside Gatt," said Mr Stef Naude.

Conformity to Gatt is not the only reason for lowering tariff barriers. *It* is also necessary to remove the anti-export bias in South Africa whereby protection *makes* the local *market* more profitable than exports.

It also raises input costs for local *exporters*, making them uncompetitive compared to exporters elsewhere who can obtain inputs at world prices.

A recent World Bank study of South Africa's trade policy found that it was not overly protective, "but far too fluid and complex, and biased against exports." Compared to developing countries, the protection level is fairly average. According to NEM, South Africa's tariff barrier (weighted by import values) stands at 21 per cent, though this rises to 27 per cent when account is taken of special import surcharges – which *survive* for fiscal rather than protection purposes.

South Africa's revised Gatt *offer will thus have* two main features: first, it will involve a one-third reduction in average tariff rates. Second, it includes a dramatic rationalisation of the tariff structure which is virtually unmatched in its complexity.

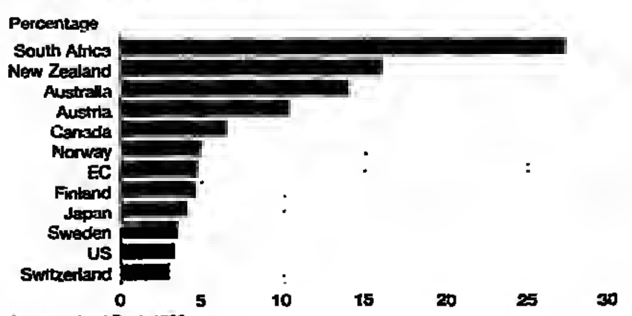
Instead of the current high degree of dispersion, tariff levels will range, at 5 percentage point intervals, from zero to a maximum of 30 per cent (with the exception of the motor industry).

Also, almost all tariffs will be bound – which means, in theory, they can never be raised, only lowered. This compares with only 55 per cent in its original offer.

South Africa has also committed itself to phasing out emergency dumping formula duties, – a measure which has been the main instrument *to* counter disruptive competition, to be replaced by proper anti-dumping measures, further reducing the overall level of protection in the country as formula duties often resulted in an increased overall level of protection.

The Gatt offer – particularly the lowering of import tariffs – should not be seen in isolation. *All* parties *agree* that it will have to be accompanied by supply-side support measures to *assist* local industry to improve its competitiveness. With unemployment already at *alarmingly* high levels, the social and political costs of simply dropping tariff barriers, without other policies introduced in parallel, are unthinkable.

Trade-weighted average tariff rates in developed economies



Source: World Bank 1993

South Africa: Estimates of Effective Protection (%)

Subsector	Protection on Inputs	Protection on Output	Effective Protection
Food, Beverages and Tobacco	15.2	13.7	8.8
Textiles, Apparel, & Leather	27.8	43.8	93.8
Wood & Wood Products	14.0	21.7	39.7
Paper & Paper Products	9.5	13.3	22.2
Chemicals	7.5	18.9	50.6
Non Metallic Minerals	5.2	19.8	34.3
Basic Metal	4.7	11.2	23.2
Metal Products & Equipment	17.1	18.2	20.3
Other Manufacturing	2.8	10.9	62.8
Manufacturing	12.6	17.8	30.2

Source: Industrial Development Corporation

Semiconductor resin maker to raise prices

By Gordon Cramb in Tokyo

NIPPON KAYAKU, the Japanese chemicals company which is the world's biggest supplier of an epoxy resin used in making semiconductors, is to raise its prices by as much as 30 per cent.

The move follows an explosion last month which halted production by Sumitomo Chemical, the market leader, until the end of the year. It lends substance to fears among chip makers that epoxy makers will use the shortfall in supply caused by the accident to restore profit margins, which had been eroded by aggressive pricing.

Nippon Kayaku said yesterday it was investing Y1bn (£6.5m) to enlarge capacity at its plant and would increase prices from next month by at least Y200 a kilogram, from its current Y600-Y700 range. Its expanded production will come on stream in January. About then, Sumitomo is to restore half its previous capacity.

● Concern at poor truck figures ● Export production down 16% ● Job losses at Peugeot

Falling European sales hit UK car output

By John Griffiths

THE FALL in car sales in continental Europe has thrown UK production into reverse after 18 months of almost uninterrupted growth to the highest levels for nearly 20 years.

Short-time working has already occurred in parts of the UK car industry and there was also mounting concern yesterday over a further sharp deterioration of production in the already depressed commercial vehicles sector.

Statistics showing a 49.68 per cent fall in commercial vehicle output last month were described as "extremely serious" by the UK's Society of Motor Manufacturers and Traders.

They are considered by the industry to reflect the patchiness of economic recovery in the UK as well as falling export demand because of the widespread recession elsewhere in Europe.

Total car output in July was down only marginally, by 2.42 per cent to 115,648 compared with 118,514 in the same month last year, and for the first seven months remained 6.63 per cent ahead of the 1992 period at 858,617 compared with 805,261.

But production for export fell by 16 per cent in July, to 33,578 from 39,977 in the same month a year ago.

It was the first significant fall this year and has left the industry worried that it can no longer escape the effects of a drop of around one-fifth in continental car sales since the start of this year.

"As far as car production is concerned, we are now seeing the influence we forecast of the sharp fall in sales in virtually every market throughout continental Europe," said Mr Roger King, the SMMT's public affairs director.

"Overall production levels are clearly at risk in the face of shrinking exports," he added.

Continuing growth in UK new car sales, the only main European car market undergoing a recovery, nevertheless is expected to prevent any deep downturn in UK car output.

New domestic car sales in the first seven months were 9.1 per cent higher than a year ago, and most industry estimates are that sales will reach 1.75m-1.8m this year, compared with 1.59m in 1992.

Production for the rest of this year would have to fall by more than one-third of 1992 levels not to reach last year's total of 1.29m. Most industry forecasters still expect the final outcome to be around 1.4m, which would be the highest since 1975.

Ford said "there is absolutely no substance" to reports that it was planning to introduce a four-day week at Dagenham, where it makes Fiestas.

Peugeot Talbot has suspended production of its UK market mainstay, the 405, at its Ryton plant near Coventry and is reducing output from 1,900 to 1,600 cars a week of only one model, the 306. Some 300 jobs are being cut.

General Motors' Vauxhall subsidiary has closed its Cavalier plant at Luton, Bedfordshire, for this week and will eliminate a further three shifts later this month.

Initial radio contracts won by rival groups

By Andrew Baxter

A TRANSATLANTIC battle to build a £1bn-plus battlefield radio system for the armed services entered a new stage last night after the Ministry of Defence awarded initial project development contracts to two consortiums.

The contracts, worth about £25m each, have been given to a consortium led by Siemens Plessey Systems, which is partnered with Racal; and a rival group led by ITT of the US, whose team includes Canada's Northern Telecom and BAeSEMA, jointly owned by British Aerospace and SEMA Group.

A third consortium, led by GEC Marconi and including Thomson CSF of France, has been dropped from the race, confirming defence industry speculation.

The Ministry of Defence said proposals from Siemens and ITT proved to be more attractive, but would not go into details.

Racal's share price rose 1p to close at 248p yesterday in a falling market, while GEC's closed 2p lower at 345p.

The battle to build the Bowman communications system has attracted virtually all the world's big defence communications groups. At stake is not only the final production contract – worth more than £1bn and due to be awarded in 1997 – but the prospect of spin-off orders to other armed services overseas.

Bowman will be the UK's future combat radio system, covering everything from hand-held radios used by soldiers in the field to strategic radio systems at brigade headquarters.

It is planned to replace the Clansman family of radios used by the Army, the Royal Marines and the Royal Air Force regiment in 1999.

Clansman was introduced in the 1970s and is a voice only system. Bowman is a secure voice and data system, necessary for running many modern weapon systems. It will be more secure than Clansman, as it uses electronic "frequeocy-hopping" to prevent jamming.

The Ministry of Defence had been considering replacing Clansman for some years, and last May invited companies to tender for Bowman.

This prompted the creation of three consortiums – "Yeoman" for Siemens and Racal, "Crossbow" for the ITT team and "Arrowhead" for the GEC Marconi group – because the joh was seen as too complex for any one company alone.

The two winners will now enter a three-year "project definition" (PDI) stage, funded the Ministry and industry. Mr Jonathan Aitken, minister for defence procurement, said this phase "would provide a major incentive for the British defence industry."

ITT expressed pleasure at winning a development contract, and said if Crossbow won the UK content of the eventual production contract would be more than 75 per cent.

Unions seek coal summit after pit collapse

By David Goodhart, Labour Editor

ALL THREE main coal industry unions yesterday called for an "industry summit" on roof bolting after the collapse of a roof killed three men at Bilsthorpe colliery, Nottinghamshire, central England.

British Coal strongly rejected both the claim that roof bolts were a safety hazard and the broader criticism made by the National Union of Mineworkers (NUM) and some opposition Labour MP's that safety was being sacrificed in the dash to improve productivity.

Mr John Longden, the British Coal Nottinghamshire Area director, said: "It is quite wrong to assume at this stage that roof bolting was at fault. The roof fall was so massive that no support system could have held it."

He was supported by Mr John Meads, head of the British Association of Colliery Management, who lost one member in the accident, who said that "if roof bolting is done properly it is safer than other forms of support".

He also rejected the more general criticism that safety was being sacrificed. "This is just political scare-mongering, the accident trend has been down, not up, in the past few years." Last year saw just three fatalities at British Coal - the lowest number on record.

Nevertheless the inquiry into what happened at Bilsthorpe, the most serious accident for several years, will concentrate on roof bolting and is bound to reawaken the doubts that many people have had about the system.

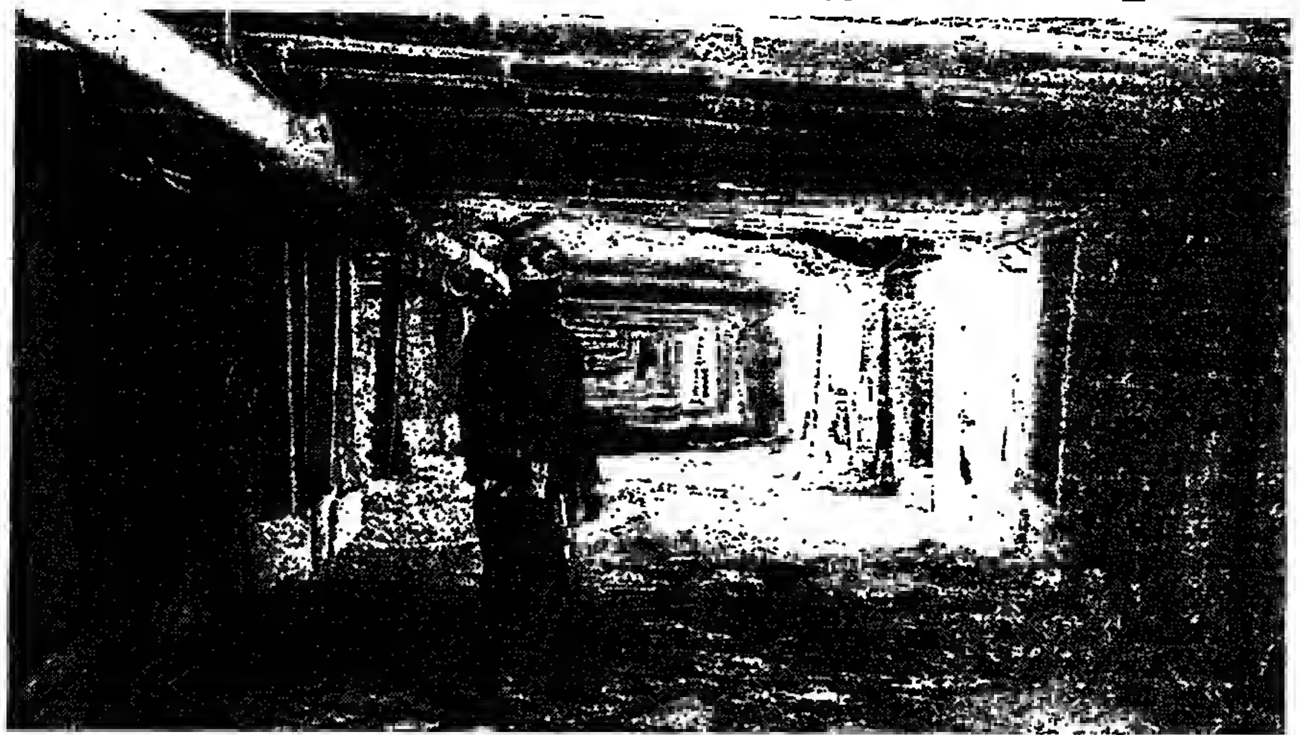
Although the NUM and Nacods, the supervisory union, have opposed holting at national level for many years, the breakaway Union of Democratic Mineworkers (UDM) has generally been more supportive.

Yesterday, however, Mr Mick Stephens, the UDM general secretary in Nottinghamshire, said: "We have always had some doubts and naturally those doubts have now grown."

Bolts, which hind the rock together to create a beam effect, began to replace steel arches in many British mines in 1988. Now virtually all of the 30 British Coal pits use the technology somewhere in the mine and throughout the industry there is now at least one hundred kilometres of roof-bolted ceiling.

Critics, such as Mr David Feikart, a former NUM official, make three main points. First, bolting was developed in the US and Australia where pits are generally less deep than in the UK and have more uniform geological features. Second, bolting appears not to give the same warning noises as a creaking steel arch. Third, people are not properly trained to understand how roof-bolting works.

Mr Feikart believes several recent accidents can all be attributed to roof bolting or a combination of bolts and conventional supports.



The roof support system used at Bilsthorpe, scene of Wednesday's accident – relies on steel bolts coated with adhesive resin and rammed into the rock above the coal. The picture shows a rock bolted roof at Asfordby pit in Leicestershire. Picture: Colin Beere

Private data illegally used by many companies

By Michael Cassell, Business Correspondent

MORE than 100,000 businesses and other data users are illegally handling information on private individuals, according to a report by the National Audit Office, Britain's puhlic spending watchdog.

The report, which reveals widespread ignorance about the existence and role of the Data Protection Act 1984, calls for better policing system to ensure full compliance with the law.

The data protection registrar, who administers the Act, has told the NAO that nnly about 150,000 organisations have registered under the legislation. The registrar admits there is no "satisfactory or reliable" method of establishing the numbers who should register; his most recent estimate of 250,000 is thought to be a conservative one.

Under the Act, data users cannot use or disclose information other than for strictly defined purposes. Individuals have right of access to the information, which can he amended or erased if inaccurate.

Failure by qualifying data users to register under the Act is a criminal offence.

The NAO reports research by the registrar which suggests that, although some of them may be registered, one in three small companies and nearly one in six large companies are unaware of their statutory obligation to do so.

One in eight small companies know nothing at all about the Act.

According to the NAO, there is "little investigative effort" aimed at ensuring registration takes place, with most attention paid by the registrar to ensuring the renewal of registration on expiry.

Even so, the report saya many data users are failing to re-register, while attempts to monitor compliance with good practice among registered data users are limited and are usually invoked only in response to complaints from the public.

The NAO says that the data protection registrar must step np efforts to increase registrations and improve and strengthen protection of the public. Controls over registered companies to enure good practice should also he improved while a new campaign to publicise the powers of the Act should also he launched. The report, however, acknowledges legal and financial constraints limiting the registrar from pursuing its recommendations.

Motorola plans £50m expansion in Scotland

By James Buxton, Scottish Correspondent

MOTOROLA, the US electronics group, is to spend £50m expanding its semi-conductor plant at East Kilbride near Glasgow in order to meet what it calls "exceptional demand" for its products.

The expansion will mean the creation of 180 jobs, taking the workforce to more than 2,000. It follows the completion of a £40m expansion project which was announced just over a year ago.

The new project, which involves installing new equipment and building extra clean-room facilities, will enable Motorola to expand its capacity to make 6-inch wafers for customer-specific integrated circuits.

The investment also involves expanding to accelerate production of digital signal processing chips, tn meet a "surge" in European demand. The 400,000 sq ft plant's total production capacity will increase by 20 to 25 per cent.

Some of the extra demand is for semiconductors for use in telecommunications equipment such as mobile telephones, especially from China and Eastern Europe. There is also strong demand from the personal computer and workstation markets, and from the market for automotive products.

Executives count cost of staying in business

BUSINESSMEN pay mnre for a hotel room in London than anywhere else in Europe, according to a survey of travel costs puhlished today, writes Philip Rawstorne.

A listed rate of £223 for a single room in a four-star hntel in the city compares with £127 in Dublin and £123 in Milan. The survey, by Visa, the credit card organisation, found that London offers some business travel bargains.

The bill for a day's secretarial service is less than a third of the fee charged in Geneva. Taxis are expensive, hnt car hire charges are among the lowest.

British businessmen face a bewildering array of varying travel costs across the continent, says Visa.

The cost of a secretary in Amsterdam is five times greater than in Milan.

Paris has the cheapest taxis but the dearest breakfasts; in Osln businessmen yon can make a 30 minnte local telephone call for the same price as a cnp of coffee.

This variation in prices creates difficulties for any company attempting to rationalise its travel and entertainment costs, says Mr John Chaplin, Visa vice-president for market development in Europe.

"In these competitive times, many companies are attempting to control costs by formulating a coherent travel policy. But if a company pays £120 for a botel room in Dublin and is then charged £220 for a similar room in Brussels, forward hudgeting and cost control can become a nightmare."

THE COST OF DOING BUSINESS IN EUROPE (figures in £)

City	Hotel[1]	Taxi[2]	Taxi[3]	Phone[4]	Continental breakfast[5]	Car hire[6]	Secretary[7]	Fax[8]	Business meal for 4	Cup of Coffee
London	223.00	40.00	6.00	0.20	12.95	58.50	77.00	3.00	202.40	0.75
Amsterdam	173.99	17.57	3.97	0.26	10.37	47.70	210.90	5.33	137.81	0.84
Barcelona	142.59	7.12	5.70	0.36	11.40	63.41	58.17	2.37	66.30	0.59
Brussels	221.40	14.88	3.72	0.28	10.23	132.40	167.44	1.20	204.65	0.93
Dublin	127.64	11.58	4.45	0.28	6.25	50.70	129.69	4.63	124.13	0.56
Frankfurt	136.50	23.74	3.31	0.40	11.47	50.97	205.74	0.40	126.61	1.38
Geneva	159.91	13.36	5.35	0.18	12.03	82.91	249.44	2.23	334.08	1.56
Milan	123.33	10.45	4.13	0.42	13.17	92.28	41.81	1.67	209.03	0.50
Oslo	135.00	8.63	3.64	0.18	8.82	83.46	114.52	0.81	131.73	1.62
Paris	207.87	22.47	2.02	0.27	14.81	79.78	151.61	1.69	157.30	1.35

Source: Visa

[1] City centre, Four star single room rate. [2] Airport to city centre. [3] 2km journey flagged down in city centre. [4] Three-minute peak rate local call from public phone box. [5] Per person in four star hotel. [6] Daily rate mid-range. [7] Daily rate. [8] One page.

Britain in brief

Universities urge reform of funding

University vice-chancellors are calling on the government to introduce a funding system requiring students to pay towards their tuition because a lack of money is denying places to thousands of young people.

In an outspoken statement, the Committee of Vice-chancellors and Principals said that "thousands of young people are being denied a university education" because "the government cannot find the money to fund the extra places needed to satisfy demand.

"To achieve a mass higher education system we will need the co-operation of the government to establish a scheme whereby future graduates can contribute painlessly to the cost of their education."

Background, Page 10

US group to relocate plant

CPC (UK), the US food group, is to move production of its Knorr brand of soups and cubes from Paisley, near Glasgow, to its more modern French and Italian plants to reduce costs.

As many as 345 out of the 449 jobs at CPC's Paisley operations are to be lost.

The company intends to expand production of the Knorr product range at Duppigheim in France and Sanguieth in Italy. Paisley will continue to produce Hellmann's mayonnaise.

Anti-fraud scheme planned

Barcode scanners are to be mobilised as a high-tech weapon against benefit fraud which costs the government an estimated £300m a year.

The latest anti-fraud campaign, codenamed Alert, is a joint project between the Post Office and the Department of Social Security's benefit agency that will cost £150m to install nationally.

Lending shows modest growth

Modestly strong bank and building society lending last month was consistent with an improvement in consumers' willingness to take on new debt, economists said.

Bank of England figures showed a seasonally adjusted £2.8bn monthly rise in M4 lending – bank and building society lending to the private and corporate sectors.

Spending on tourism rises

Despite the recession the British spent more than £25bn on tourism to all destinations in 1992, an increase of 7 per cent in real terms over 1991.

The growth came from visitors travelling to destinations outside the UK, according to figures published by the Joint English, Northern Ireland, Scottish and Welsh tourist boards. Non-UK tourism spending by British travellers rose in real terms from £12.62bn in 1991 to £14.41bn in 1992.

Ulster group wins order

A Northern Ireland textile company has won a £1.8m order to supply traditional Arab headgear to a distribution company serving Saudi Arabia, Kuwait, Dubai and Bahrain. Lintrend, based at Larne, has adapted a technology it developed for producing wrinkle-free linen, to cotton fabrics, and is to use it to make wash-and-wear cotton *yashmaghs, ghutras* and *thobes* – respectively coloured headgear, plain white headgear and full-length white gowns.

Oil potential

More than 80 new North Sea oil and gas fields could be developed over the next 20 years, according to Grampian Regional Council's annual review of the industry. It says Britain should see a second peak of oil production in about two years.

MANAGEMENT

Legal dangers of stress

Got a headache? Can't sleep? Drink too much? Feel depressed? Got high blood pressure?

One solution for victims of stress could be to sue your employer, according to employment lawyers Nicholas Roebez and Mark Scoggins of Davies Arnold Cooper, the commercial law firm. They say it is likely that a British company will be sued for stress in the next five years.

In a recent report* they argue that stress cases will follow the path of other injuries at work. They say that laws which were drafted to prevent accidents can easily be turned to include mental effects of stress. Employers who have taken no steps to identify and reduce stress at work may well find themselves having to pay up.

Companies will doubtless argue that to extend the law to cover stress would put an unrealistic burden on them. After all, people who do stressful work know that the pressure is part of the job, and are usually paid enough to compensate for it, or so the argument goes.

Lawyers point out though that similar claims were made about asbestosis, coal miners' lung and noise-induced deafness. Cumulative trauma claims will evolve the same way, the law firm argues. If they are right, companies should act now to avoid getting themselves into legal hot water later.

Insurers should take note too. At the moment companies are covered against claims causing "bodily injury or disease". But it is possible that a UK court could rule that these policies also include mental injury, as has happened in New York.

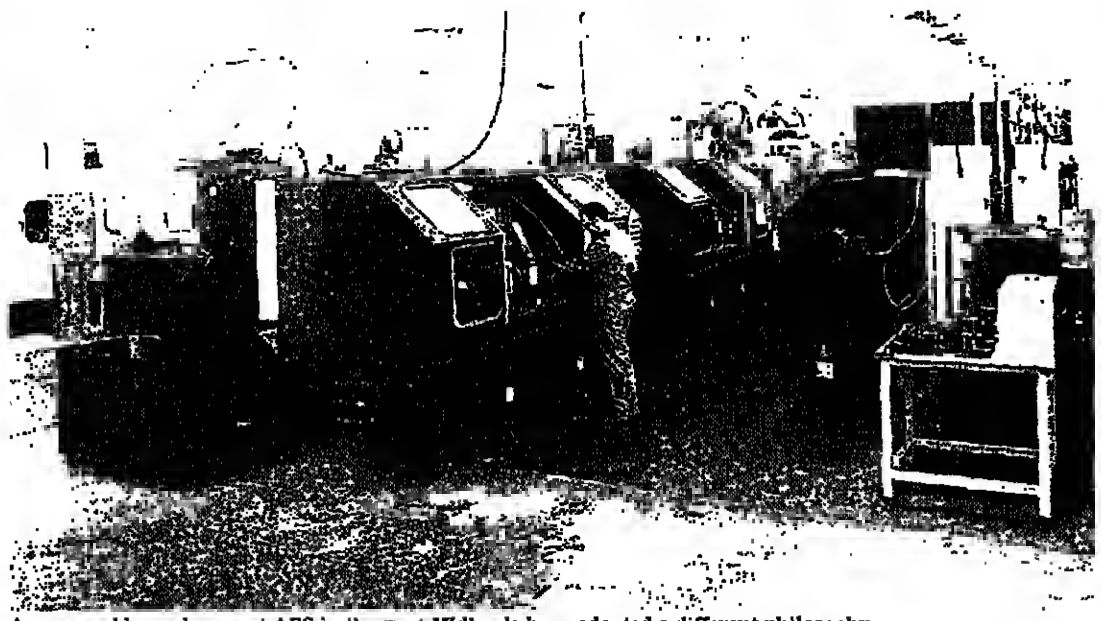
But even if stress never reaches court rooms, companies which take a positive stand on the problem and attempt to do something about it, will have more direct spin-offs in terms of lower absenteeism and a happier workforce.

*"Stress out, cash in" available from Davies Arnold Cooper, 6-8 Bouverie Street, London EC4Y 8DD. 071 936 2222.

Lucy Kellaway

John Griffiths describes how Toyota's working practices transformed one of its UK car components suppliers

Driving out the old regime



A new world: employees at AES in the west Midlands have adopted a different philosophy

Toyota, Japan's largest car maker, began production in Britain only in January. But this pioneer of lean production systems, which is widely recognised as setting a world standard in efficient manufacture, is already having a dramatic impact on the management practices of more than 150 UK and continental component makers.

Since the beginning of this year Toyota's first car for Europe, the Carina E, has been emerging at an ever faster rate from the assembly line at the company's £800m-plant at Burnaston, Derbyshire.

As with Nissan's Sunderland factory and Honda's at Swindon, the line is being supplied not by the once-feared influx of Japanese component companies – which has almost totally failed to materialise – but by mainly indigenous British and continental companies.

They are widely varied in their size and activities; from British Steel's Llanwern plant in south Wales, supplying coated steel strip, to small concerns providing the 10,000-plus individual parts which make up a modern car.

Last month a Department of Employment-commissioned study suggested the work practices and culture needed to meet Japanese cost and quality targets are resented by those suppliers' work forces.

But there is no visible sign of that at Advanced Engineering Systems (AES), at Tipton, west Midlands.

AES, a supplier of machined castings and other parts to Toyota, Honda and Rover, provides one of the most vivid examples of the cultural adjustments a British supplier, with its roots stretching deep into the old, adversarial traditions of the UK industry, has had to make en route to its goal of becoming a world-class supplier.

A year ago AES was part of Beans Industries, a former British Leyland subsidiary which, among other things, was churning out reconditioned engines for the Unipart group. Unipart bought 80 per cent of AES from Beans, with an option to acquire the remainder shortly, purely because the company had contracts to supply seven components to Toyota.

Unipart Industries – the group's components manufacturing arm – had already learned much about quality from Honda. In a benchmarking study of 17 Japanese and UK components firms carried out last year by Dan Jones – co-author of *The Machine That Changed the World* – and Andersen Consulting, it was the only UK company to match the best Japanese companies on quality. But the study showed it was unable to ally quality with Japanese productivity. What better way to try to close the gap than to supply to one of the most efficient of all Japan's vehicle makers?

Despite his previous experience of working with Honda even Frank Burns, AES' managing director, was shaken by Toyota's reaction when asked for its approval of the Unipart move.

"We said we wanted to acquire the business and why – and did they have any objections? They said 'we don't mind but please hire these 20 people' and gave us a list of individual names. We did, of course and that gave us an early insight into the incredible detail with which Toyota tackles everything it does."

Burns and David Nicholas, managing director of the parent Unipart Industries, had no problem persuading Beans' employees to co-operate, and were able to offer the inducements of improved staff status and other elements of the Unipart package.

"They all wanted to join the 'new world', despite there being no recognition for unions," recalls Burns. (Unipart derecognised all unions two years ago, although there is no ban on membership.)

AES remains a small company, employing 40 now and an expected 50 by the end of this year. It is divided into two main areas, one working for Honda, the other for Toyota. The Honda area, which has been running for a year, is well advanced, refining the team working systems brought from Premier Exhausts, another Unipart subsidiary, as the combined experiences of working for Honda and Toyota are absorbed.

Training is top priority – to achieve quality and to address the productivity issues highlighted by the benchmarking study. Fifty per cent of team members can perform every operation on the 13-machine Honda sector; 60 per cent can perform 80 per cent of the tasks and the proportions are climbing weekly.

That the training bill is currently one half of wage costs also illustrates one of the key operating influences of Toyota still alien to a vast swathe of UK industry. AES invested in all the necessary systems and capacity for the Toyota contract months before production began. Eighty per cent of the contract's cost base was built into the opening phase of manufacture – a proportion likely to be the norm for all future business.

"It means", says Burns, "that we have the right machines, quality standards, manning levels, training etc so that costs fall rapidly as production gets under way. The classic western approach is minimal initial investment, rectifying mistakes and putting in more investment as production builds."

Three months ago, Burns went to Japan to take part in Toyota's latest production system course. He found himself looking anew at areas where he had thought he already had a lot of the answers. He is teaching the course to AES' employees and later the whole group.

The insights about waste, he freely admits, left him initially incredulous – notably the proposition that up to 85 per cent of employees could not be working at any one time.

"They said that around the factory you could normally find 5 per cent of people visibly not working. But then a further 25 per cent could be waiting, even if briefly, for deliveries or for a machine to finish its cycle. Then you could have a further 30 per cent building inventory. Toyota regards that as not really working because there is no immediate contribution to the manufacturing operation. Last, they figure that up to 25 per cent can be working to method and requirement – but the method itself is not efficient, involving wasteful movements for example.

"I got back; we checked, and found those numbers weren't far off. The problem is that UK managers tend to focus on the 5 per cent visibly not working and possibly those waiting – and are totally unaware about the rest."

The benefits arising from Toyota's unrelenting attention to detail has led AES to adopt U-shaped production cells, in which one operator can move easily from one machine to another, controlling a sequence of processes, rather than operating just one machine.

Initially, each machine required an operator to press two centrally mounted buttons and watch the process begin. A visiting Japanese engineer suggested replacing the buttons with Toyota's flap-type switch mounted at one end of the machine that the operator could hit with the flat of his hand at the start of his tour of the machines.

Burns acknowledges it sounds trivial. "But they are an integral part of Toyota Production System (TPS). And in saving one second they equate to 64 man weeks on the seven lines. We reckon we can save 2-2.5 per cent of the labour bill a year – that's the entire training bill for some companies".

The switches illustrate the different philosophy required for TPS. "The natural, British management response when the suggestion came about moving buttons was '£25,000 – just for moving buttons!' And on that ground, in the past, it would never have been done."

The Japanese visitor produced 185 *kaizen* (continuous improvement) suggestions. And AES' teams have come up with half as more again.

The application of TPS principles is already showing in productivity. On the Honda flywheels line, four men were producing 750 flywheels a week on two shifts. Introduction of the U-cells and related improvements, plus a third man lifted output to 1,000 a week. The third man has now been redeployed but output remains at 1,000 a week.

Premier has also introduced the Toyota U-cell system, with reported productivity gains of 30-40 per cent. Perhaps warning other European components groups about the cost and quality benefits deriving from such close links with the Japanese, one leading European vehicle producer is switching to Premier as its exhaust systems supplier.

A source of best practice

The best companies in Europe have already achieved a 10-12 per cent reduction in their material costs, according to a survey on strategic sourcing by the consulting firm Booz. Allen & Hamilton.

The survey, conducted among 238 companies in the automotive, chemicals, consumer goods, electrical and electronics, heavy equipment and industrial products sectors, shows that the majority of businesses are now managing to contain material price inflation to between zero and 5 per cent a year.

Purchased materials represent at least 40 per cent of turnover for more than two-thirds of the companies in the sample; in some cases the figure was as high as 80 per cent.

Among the characteristics of those businesses which have done most to reduce costs and increase quality are: the commitment of top management to the purchasing process, the involvement of different departments in decision making and the separation of sourcing strategy from day-to-day execution.

The research, among companies in Britain, France, Germany, Italy, Spain and the Netherlands, confirms that the traditional "arm's length" supplier relationship is declining in favour of greater interaction.

Sixty per cent of those interviewed now insist on a regular presence at their suppliers, compared with 40 per cent five years ago. That trend is expected to continue over the next five years, so that the occasional visitors to suppliers will only represent about 25 per cent.

Companies are reducing their supplier base at more than 3 per cent a year – a figure which Booz says is likely to double.

The majority of the worst performing companies still use individual purchase orders, while the best performers are moving to "lifetime" agreements or multi-annual contracts.

The best also achieve more with fewer resources. In many cases the smaller the purchasing department the more impressive the performance in terms of material costs, material quality and inventory turnover.

Tim Dickson

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Sharper image on the box

"WE'RE living in a pixel world," believes Willy Johnson, chief executive of Durant, a company better know in Japan than in Johnson's home town of Lymington, on the south coast of England.

Pixels, picture elements which form the images on miniature flat-screen television sets and portable computers, are Durant's business. Or more precisely, Durant is in the business of "deptixellation" – getting rid of them.

The "pixel problem", as Johnson calls it, is that liquid crystal screens produce stunning pictures but are tiny. Manufacturers have been unable to produce larger flat screens because the quality control needed is exorbitantly expensive to attain. Just one malfunctioning pixel and the whole picture is ruined – and a 16.5-inch screen, for example, would need more than 1.2m pixels.

The most obvious other solution would be to blow up the picture, but then each pixel becomes clearly visible, destroying the picture quality. And this is where Durant's technology comes in.

Several Japanese games and computer makers are now testing Durant's Microsharp technology, which is essentially a series of holographic lenses. Superimposed over the liquid crystal screen, the lenses spread the light emitted by each pixel so that they merge into a continuous picture, with the light emitted from adjacent ones.

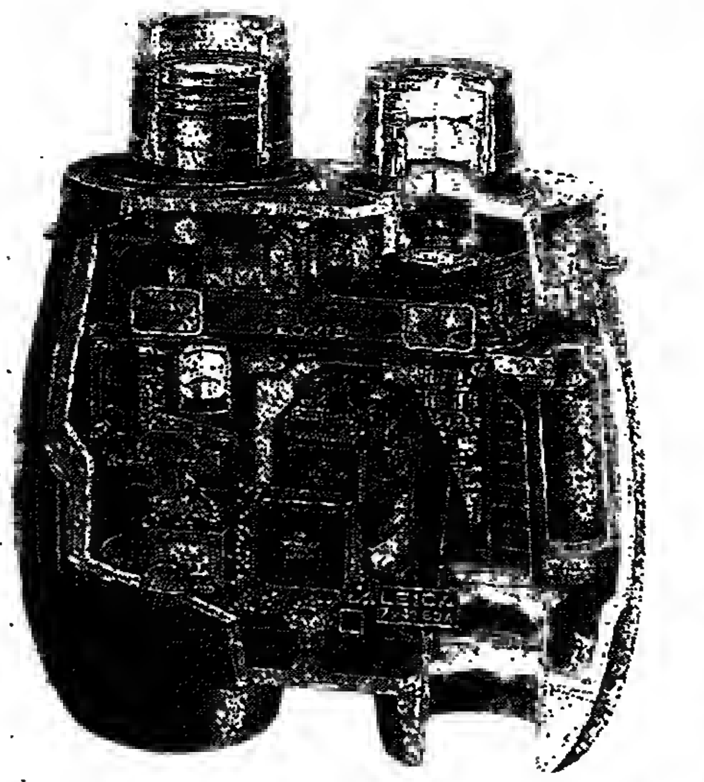
These graded refractive index (Grin) lenses are produced by exposing a sheet of photopolymer film, made by Du Pont, to ultra-violet light. Microsharp has taken eight years to develop and Johnson is confident the company has secured watertight international patents. Durant is on the point of signing an agreement with a US company for manufacture of the lenses.

After that, the possibilities for Microsharp could be endless, believes Johnson. Television pictures could be displayed on large screens or projected onto walls. Helmets for virtual reality could incorporate high-quality images displayed on two screens inside the helmet. Microsharp could even be used to produce a more efficient generation of solar-powered electricity generators.

Della Bradshaw

New focus for camera maker

Leica's latest and unlikely product, a sophisticated pair of binoculars, is selling fast, writes **Andrew Fisher**



A different image: Leica's binoculars appeal to special interest groups

For the price of a small second-hand car or a luxury cruise, Leica Camera can sell you a pair of binoculars which contains such an array of electronic and other advanced technology that it can work out distance and direction as well as display a sharp image.

The German camera and optical company has deliberately made its new product – called the Geovid – as simple to use as possible. Apart from a small wheel to adjust the eyepieces, there are only two controls: one button to read the distance, another for the built-in compass.

"We wanted to keep the electronics in the background," says Thorsten Kortemeier, product manager for binoculars. "We don't want to sell mainly to technology freaks. We want to stress the uses."

Despite its DM6,500 (£2,576) retail price (UK cost is about £3,000), this year's production run is already sold out to yacht crews, balloonists, mountaineers, foresters, hunters, surveyors, rescue services and other specialised interest groups.

For a renowned camera maker such as Leica, the Geovid is an unusual departure. Not only does it draw on technology from other parts of the Leica group, owned by Swiss industrialist Stephan Schmidheiny, it is made in Switzerland by the sensor division, rather than at Leica's headquarters north of Frankfurt near Wetzlar.

The camera side, however, provided the technology for the sophisticated lenses, which have wide prisms – porro prisms – for better light transmission, even in fading twilight. "We want to become stronger in sporting optics [binoculars]," says Werner Simon, chief executive of Leica. "The Geovid is part of that strategy."

The new binoculars use infra-red laser beams to measure distance, with a microcomputer making calculations to the nearest metre up to 1,000m or more. A digital magnetic compass works out the angle of direction, even when the binoculars are tilted. The user simply presses one of the two buttons twice, once to fix a red aiming light on the target and again to display the measurement.

Yet, however successful the Geovid proves to be, binocular sales will continue to be dwarfed by sales of the company's classic and robust cameras and lenses, projectors and enlargers, together accounting for 80 per cent of business. Last year, Leica Camera's turnover rose by 3 per cent to DM214m.

The company's reputation is based on its camera work, with advances in lens, mechanical and electronic technology matched by a typically German dedication to continuity.

Thus when Henri Cartier-Bresson, the French photographer, was presented with a new Leica camera on his 75th birthday in 1983, he declined the offer of a new lens, says Simon. "He took out the lens he had owned since 1954, fitted it into the 1983 Leica with a neat plop, and said *'Voilà, ça c'est Leica'*."

There are other intriguing Leica anecdotes. A few years ago, perched precariously on a Nepalese rockface to take pictures of wild honey gatherers, Eric Valli, a French photographer, dropped his Leica lens. When he found it, the lens was still usable in spite of a fall of 80 metres, with no optical damage and only a slight centring error.

Leica's reputation is bolstered by such tales. But, as Simon stresses, it takes more than stories to protect the company's position as a producer of quality, consumer products. Leica's spending of a high 4 per cent of turnover on research and development underlines this point. "We're not in our niche because of 'the myth of the past'," Simon adds. "A myth lasts perhaps five years, but quality has to be achieved anew each day."

The first Leica camera was shown in 1925 at the Leipzig trade fair, although Oskar Barnack, its inventor, made the prototype before the first world war. The camera was made by the Leitz microscope company, the word Leica deriving from Leitz camera.

Since then, Leica has developed a unique position as a maker of products which meet the most demanding standards and are priced accordingly. Along the way, the company has had to cope with the almost total dominance of Japanese companies in the photographic sector. Its main German rivals such as Rollei, Zeiss Ikon, Voigtländer and Agfa have either left the camera scene or occupy much smaller segments.

In common with Hasselblad of Sweden, which makes medium format cameras – totally different from Leica's 35mm products – the German company occupies its own corner in the world camera market. Leica's speciality is the M6 rangefinder camera – a descendant of Barnack's original camera – which combines high-speed lenses with highly accurate focusing and an almost noiseless shutter release.

In the single lens reflex market, where Japanese companies such as Nikon, Minolta, Canon, Pentax, and Olympus predominate, Leica has developed its R-series, the latest R7 automatic version costing DM3,900 (£1,795 in the UK); lenses are extra, from DM1,180 to DM32,000.

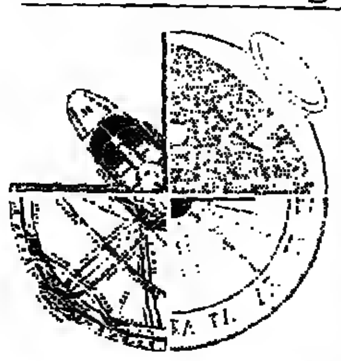
Simon says Leica has weathered the worldwide recession well, but admits it can no longer raise prices as it would like. Its move five years ago to a new building in Solms, near Wetzlar, has helped it hold down production costs. It also offsets some of the high expense of doing business in Germany by carrying out pre-assembly and other work, such as small binocular manufacture, at its plant in Portugal.

Leica's main lens work is kept in-house. It has spent DM1.2m on a computer-controlled lens manufacturing line in Solms, cutting the time taken to grind, polish, coat and mount its complex lenses from 12 to three weeks and lifting productivity by 20 per cent.

Final camera assembly takes 26 hours; the rangefinder alone for the M6 camera has 104 parts. Thus, says Burkard Kiesel, vice-president for development and operations, further efficiency gains will be elusive, even with the most advanced design and production software.

"It's hard to see what further savings we can make without losing any features on our products," says Kiesel. Leica's profitability will depend on customers' continuing willingness to pay heavily for top quality products. The innovatory Geovid will be the latest test of the company's high-priced appeal.

Worth Watching · Della Bradshaw



New glass shatters car-jackers' plans

A shatter-proof glass, developed for the windows of jet airliners, could soon protect the domestic car driver from "car-jacking", where the windows of a stationary vehicle are smashed by a thief intent on removing valuables.

Developed by Pilkington Aerospace, the glass has a plastic inner lining bonded to it. The plastic, part of the polyurethane family, is "self-healing" so that if scratched it returns to its original form. It would take a thief up to 50 strong blows to break through the new glass. The plastic lining also prevents shards falling into the car if the glass is broken.

Pilkington believes the technology will be used first in VIP and police cars, as it would add several hundred pounds to the cost of a new car. Pilkington: 021 451 3901.

HealthBlend packs a purrrfect diet

You are what what you eat, they say. The maxim could be as true for pets as it is for their owners.

HealthBlend is described by manufacturer Hill's Pet Nutrition, as the first "healthy" pet food, to be sold exclusively through veterinary surgeries. Hill's say the scientifically-balanced diet of calories, protein and phosphorous can prevent liver and kidney disease, obesity and even hypertension. There are two feline versions and three for dogs – including a special recipe for the "Canine Geriatric". Hill's: US, 913 354 8523.

Flying high on computer games

For those who find it hard to leave their Nintendo games machines at home when they travel, the US division of the Japanese games company has developed an in-flight version of its popular 16-bit Nintendo Entertainment System.

The Gateway System offers passengers an LCD television monitor to choose between 10 games, four to six movies, and a range of information and shopping services. The central controller is built into the cabin management system.

In conjunction with the LodgeNet Entertainment Corporation, Nintendo has adapted the system for use in hotels and ships. Nintendo: US, 206 882 2040.

Secret boost for welding process

A welding technique, developed by the Paton Institute, in Kiev, promises to increase Tig (tungsten inert gas) welding productivity in the west by a factor of 10.

The process involves painting the metal parts to be welded with a non-toxic paint which constricts the arc inside the metal during the welding. While stainless steel or titanium welds of 2-3mm are common outside the Ukraine, the Paton Institute regularly welds metals 10mm thick, using the same amount of gas.

The institute, which is represented by the Welding Institute in Cambridge, is keeping the chemical formulation a closely guarded secret. Paton Institute: Ukraine, 44 227 4353. Welding Institute: UK, 0223 891162.

Coconuts crack tool coating

The coconut could prove to be one of the industrial diamond's best friends.

Researchers in Germany have developed a novel way to diamond-coat tools and components based on the hydrogasification of charcoal. The best results have been obtained with charcoal from coconut shells.

Unlike conventional hydrogasification processes, the method developed at the Fraunhofer-Institute for Surface Engineering and Thin Films uses a closed circuit, preventing the escape of gas. The process is therefore kinder to the environment. Fraunhofer-Institute: Germany, 40 5472 1560.

THE PROPERTY MARKET

The heat is still on

Despite a recent revival, pressure remains intense on surveyors, says Vanessa Houlder

Abbey National's costly exit from the estate agency business with the sale this week of its Cornerstone chain illustrates the depressed value of residential property agencies. This is in contrast to commercial property agencies, whose values are fast recovering.

Over the past year, the share prices of many in the quoted surveying sector have risen sharply. Fletcher King's shares have advanced by 44 per cent; Savills by 152 per cent; DTZ Debenham Thorpe by 150 per cent; Conrad Ritblat Sinclair Goldsmith by 311 per cent; and de Morgan Group by 220 per cent.

Only Herring Baker Harris, which is picking itself up after recent management upheavals, has bucked the trend with a fall of 55 per cent over the same period.

The share prices of commercial property agents have clearly bounced back after a long period in the doldrums. Anyone who bought shares in a property consultancy five years ago would have seen the value of their investment drop by between 48 per cent and 88 per cent.

But some commentators and surveying practices are concerned that the surge in commercial property agents' share prices reflects exaggerated optimism. "My feeling is that they [shares] have been re-rated too far. Business is still very tough," says Mr Selwyn Jones, a broker at Crédit Lyonnais, a french bank.

The main factor influencing surveyors' relative good fortune is the resurgence in the property investment market. Savills recently announced a return to profits on the back of a sharp increase in investment activity and cost cuts. DTZ Debenham Thorpe followed with an announcement of sharply increased profits, partly because it had arranged many deals for German investors into the Central London office market.

But the upturn in investment activity is favouring a relatively small number of the larger companies. The de Morgan Group struck a warning note about the increase in number and value of property investment transactions.

"The pace of recovery is likely to be affected by a shortage of suitable investment property and the reduced availability of loan finance for property," it said.

Some other pockets of business such as valuation, management and rate assessments, are proving robust. But property advisers are still struggling with agency work – the bread and butter of most businesses. Agents say that an upturn in enquiries has not translated into a take-up of space. Although retail property is begining to stabilise, few agents expect a general upturn in rents before next year.

Rent review work is also sharply down as a result of the slump in rental values. Taken as a whole, the value of the property services market has fallen by more than 6 per cent to £343.3m over the past year, according to the Chartered Surveyors Survey, published by the Economic Development Briefing, a research group.

The survey found that agency and financial services suffered a decline in revenue of more than 25 per cent over the past year. Only professional services such as rate assessments, valuations and legal and planning produced increased revenue.

The practices which have fared best have been those with valuation, management and rating businesses; the hardest hit have been those which depend on income from lettings and deals.

Yet many practices remain in severe difficulties; there have many instances of cash calls on partners to ensure a partnerships's survival. These pressures on practices have spawned a wave of mergers.

The problems have been most acute for medium-sized firms, which have neither the breadth and credibility of their larger rivals nor the low overheads and specialist expertise of the smallest firms.

"A polarisation is taking place, between the large surveying companies and smaller niche players, and those occupying the middle ground are being squeezed," says Mr Clive Lewis, president of the Royal Institution of Chartered Surveyors.

At the root of the problem lies the sector's rapid expansion between 1976 and 1992; during this period the profession grew by an average of 3 per cent a year. This has left a legacy of overcapacity, which is likely to encourage more mergers and more job losses.

The recent spate of mergers has caused some consolidation in what is still a highly fragmented sector. The top three surveying practices, DTZ Debenham Thorpe, Chesterton and Jones Lang Wootton, each have a market share of more than 5 per cent, according to the Chartered Surveyors Survey.

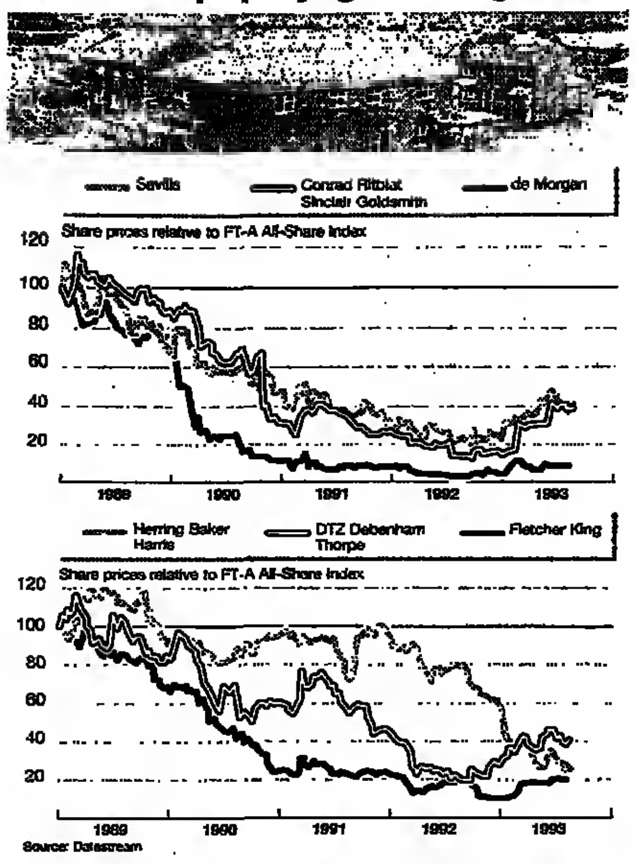
"It must be likely that with too many firms of surveyors chasing a contracting traditional market for fees, more mergers will follow, with more hardship for individual employees," says Mr Lewis.

Anecdotal evidence suggests that the shake-out of staff has begun to ease. In any event, demand for new recruits is likely to remain subdued until there is more convincing evidence of a market upturn.

"It is still pretty bleak," says Ms Vivienne Packer, an executive search consultant at Alexander Hughes. She notes, however, that there is demand for some specialisms such as facilities management, which are are expanding in an effort to offer a more complete service.

Nonetheless, the industry has shown little evidence of having benefitted from the shake-out and capacity cuts. As existing partnerships have shed staff, many of those displaced have formed their own practices. This has boosted competition and kept fees down to barely profitable levels. Until there is a convincing recovery in the property market, the pressure will remain intense on all but the best-placed practices.

Commercial property agents: rising value



Source: Datastream

PEOPLE

'One-company man' for Courtaulds Textiles

On August 19 1963 Noel Jervis walked through the door of Courtaulds to start his first day's work with the company as an apprentice accountant.

Diligence clearly pays off. Yesterday, 30 years to the day, Jervis, who will be 49 on December 25, was formally hailed as chief executive in waiting of Courtaulds Textiles. He takes over on January 1 next year, when Martin Taylor heads off for Barclays Bank.

Jervis says Taylor "will be a desperately hard act to follow, since not only is he a thoroughly decent chap, but he is also a man capable of searching conversations and unafraid of taking tough decisions".

Having been with Courtaulds throughout his career, Jervis – "I regard myself as the archetypal one-company man" – believes that his experience of the company from the bottom up means that he has a feel for the organisation.

In 1980 he was appointed finance director of Courtaulds Fabric Group and from 1982 was chairman of the group's overseas fabrics business. In 1988 he gave up the post of finance director of Courtaulds Textiles Group to concentrate on the international business.

Courtaulds Textiles has more than 20,000 employees, but Jervis says he has neither a lump in the throat nor butterflies in the stomach at the prospect of the move. His background he regards as "solidly working class"; his father was a miner in the South Wales coalfields at the age of 14.

As for what changes he may make, Jervis feels the need to tread carefully and soundly.

"The City view seems to be to expect us to do something big, but we are in a long race, not a 100 yard sprint," he says.

Non-executive directors

■ Michael Walker, chairman of Sidlaw Group, has become chairman of BRITISH INTERNATIONAL HELICOPTERS, the management buy-out from the Maxwell private group of companies, which operates helicopters in the North Sea oil and gas industry. Walker, well known in the Scottish oil industry through a subsidiary of Sidlaw, Aberdeen Service Company North Sea, takes over as chairman from David Wills, md of Brown Shipley Venture Managers, one of the investors in the mbo.

■ Alison Carnwath has retired from CULLENS HOLDINGS.

■ Baroness Sally Oppenheim-Barnes has retired from The BOOTS Company.

■ Richard Malthouse, former senior partner at McKenna & Co and a non-exec at the UK subsidiaries of Procter & Gamble and CBS, at VOLEX.

■ Tom Marshall (below), chief executive of Lambert Smith Hampton, at CHESHIRE BUILDING SOCIETY.

■ David White, a corporate board director at Biwater, at BOURNEMOUTH WATER and WEST HAMPSHIRE WATER.

■ Cameron McLatchie, chairman and chief executive of British Polythene Industries, at MOTHERWELL BRIDGE HOLDINGS.

■ John Small, former ceo of United Glass Holdings, at ENTERPRISE COMPUTER HOLDINGS on the resignation of Shaun Dowling because of "heavy commitments elsewhere". Dowling is executive chairman of Hartstone.

■ John Craddock as president of LINCAT GROUP having retired as an executive director.

■ Baroness Hooper, deputy speaker in the House of Lords and a member of the parliamentary delegation to the Council of Europe and Western European Union in 1992, at PROVIDENT LIFE.

■ Bruce Farmer, ceo of Morgan Crucible, at SCAPA GROUP.

■ David Susman has retired from MARKS AND SPENCER.

■ David O'Shaughnessy, chairman of PIRA International, at BARRY WEHMILLER INTERNATIONAL and at PLYSU.

■ Peter Parkin, chairman of Raine and a director of RJB Mining, at VICTAULIC.

■ David Heywood, previously deputy chairman of BAT, at QS HOLDINGS.

■ David Cunningham as chairman at WATERGLADE INTERNATIONAL HOLDINGS, and Peter Voller, both having stepped down from being executive.

Upheaval at Abbey National

The departure of Stewart Gowans, 38, the man responsible for refurbishing Abbey National's public image, has precipitated an unusual amount of upheaval in Abbey National's public relations department.

After seven years as head of corporate affairs at Abbey National, Gowans has set up his own consultancy – Meridian Corporate Communications. Along with partner Trevor Gardiner, he has taken offices in Leicester Square. Gowans, who had indicated some time ago that he intended to move on, quit in May and Paul Barber and Paul Burgen, two other members of Abbey's pr team, have left within the last month.

Abbey National has decided to replace Gowans with an insider. Jane Ageros, 29, (below) a Cambridge classics graduate, joined Abbey in 1989, after working as a pr consultant with Broad Street Associates, the firm which handled Abbey's conversion to a public company and flotation.

■ Leena Nagrecha has been appointed joint secretary of Abbey National Treasury Services in place of Ray Magan.

NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SUBSECTION 8(5) OF THE TELECOMMUNICATIONS ACT 1984

The Secretary of State hereby gives notice as follows.

1. He proposes to grant a licence under the Telecommunications Act 1984 ("the Act") to Telstra (UK) Limited ("the Licensee") to run telecommunication systems throughout the United Kingdom. The licence will be for a period of 25 years subject to earlier revocation in specified circumstances.

2. The principal effect of the licence will be to enable the Licensee to install and run telecommunication systems throughout the United Kingdom. The Licensee will be able to provide a wide range of services but excluding mobile radio services and certain international services. The licence authorises connection to a wide range of other systems including earth orbiting apparatus allowing the provision of some types of international satellite service. On securing a share of 25% or more of the market in respect of particular services in an area specified by the Director General of Telecommunications, the Licensee may be obliged to make available those telecommunication services to all who reasonably request them within that area.

3. The licence will be subject to conditions such that section 8 of the Act will apply to it, thereby making each of the systems run under the licence eligible for designation as a public telecommunication system under section 9 of the Act. It is the intention of the Secretary of State to designate each of the Licensee's systems as a public telecommunication system.

4. The Secretary of State proposes to grant the licence in response to an application from the Licensee for such a licence because he considers that it will help to satisfy demands in the United Kingdom for the provision of services of the type authorised, will promote the interests of consumers in respect of the quality and variety of such services, and will maintain and promote effective competition between those engaged in the provision of telecommunication services.

5. Representations or objections may be made in respect of the proposed licence. They should be made in writing by 8 October 1993 and addressed to the undersigned at the Department of Trade and Industry, Telecommunications and Posts Division, Room 2.84, 151 Buckingham Palace Road, London, SW1W 9SS. Copies of the proposed licence can freely be obtained by writing to the Department or by calling 071-215 1756.

P J Kirby
20 August 1993
Department of Trade and Industry

Reich's 'The Cave' reaches London

In quick time *The Cave* has proceeded from Vienna (premiere in May) via Berlin and Amsterdam to a six-day stint at the London South Bank centre. Paris, Brussels and New York are set to follow. The music-theatre-cum-documentary epic by Steve Reich (music) and Beryl Korot (video images) is receiving a high-class launching. Reich's status, and the fact that this is the latest, largest and most ambitious of his multi-medium compositions, would seem to demand no less.

As Andrew Clements reported on this page in July, after the Amsterdam Festival showing, *The Cave* is a three-part, three-hour mélange in which excerpted interviews are interleaved with visual images and musical episodes inspired by the presence and the actual words of the interviewees. The purpose is to contrast Jewish, Arab and American attitudes to a crucial piece of Holy Land religious history – the relationship of Abraham, Sarah, Hagar, Ishmael and Isaac – in a way to pinpoint conflicts, dilemmas and misunderstandings both ancient and modern. Act 1 is the Israeli act, Act 2 the Palestinian; in Act 3, which focuses on the much more detached responses of Americans, threads of summing-up are drawn together.

As witnessed at the opening Festival Hall performance on Wednesday, the installation gleams and glitters impressively – a large metal set-up enclosing five video screens amid walkways and stations for singers and players, a structure simultaneously practical and poetic. The package is expertly glossy, the presentation faultlessly crisp and confident. The technological aspects of the three-part unfolding, the linkage of "live" musical sounds and statements and screeoed pictorial and verbal information, are achieved with considerable dexterity.

For a while the fascination with "how do they do it?" keeps concentration from flagging. Thereafter nothing can disguise the banality of the experience, the fidgety, flattened-out, repetitious quality of juxtaposed statement and counter-statement, the stupefyingly predictable patterns of Korot's image-creating devices. Amplification of all the sounds crushes the dynamic range to a uniform loudness, restricting the expressive range of the "live" musicians in wearying parallel.

In interview Reich has made much of the way his musical lines pick up and underscore the inflections of all the speakers, essaying comparisons with Janáček's celebrated method of creating musical cells out of "speech rhythms" that in no way work to his advantage. The systemic patterns of Reich's musical lines, which could well bear repetition on their own, become nightmarishly tedious when linked to words far less capable of supporting similar repetition. Quite soon into Act 1, as a phrase such as "Almost a pale figure" issued from the speakers for what seemed the millionth time, I wanted to scream "Yes, yes, we get the point, now for heaven's sake get a *move on!*"

In sum, I though this a project boldly imagined but, in terms of basic material, numbingly dull, insubstantial and longwinded in the execution. If, as has already been loudly proclaimed, this is "serious art for the MTV generation" and "a glimpse of what opera might be like in the 21st century", then all I can say (with Samuel Goldwyn) is: include me out.

Max Loppert

Royal Festival Hall, London SE1: daily performances until Monday

Caroline O'Connor, Guy Oliver-Watts and David Dale

Theatre

Hot Stuff

Yet another rock musical has opened in London's West End, and even for non-addicts the cult has a certain attraction. This consists largely of watching other people so evidently – and harmlessly – enjoying it.

Hot Stuff has arrived at the Cambridge from the Haymarket Theatre, Leicester which is developing a musical style of its own. Basically it is an excuse for going through the pop songs and stars of the 1970s. Not all of them are immediately recognisable and the diction is less than distinct. Still, the audience applauds each new number as soon as it starts.

There is the veneer of a plot picked up from the Faust legend: a young man who gives up everything to become the greatest rock star in the world. A screen in the background records what happens in the decade: not only the resignation of President Nixon and the fall of Saigon, but also the decaying nature of the world of rock.

"Nothing could be worse than the last 10 years," says someone towards the end. Then Mrs Thatcher appears in 1979 and David Dale, who has been playing Helen of Troy throughout, does the prime minister in drag. Paul Kerryson directs and the whole show is mildly infectious.

Malcolm Rutherford

Cambridge Theatre (071) 494 5080

'Peel Quickly', 1984, by Jean-Michel Basquiat, currently enjoying a retrospective at the Musée d'Art Contemporain, Lausanne until November 7

Grown-up graffiti

Michael Glover on Jean-Michel Basquiat

His trajectory was that of a shooting star. Discovered on the streets of New York City by an art critic before he reached the age of 20, where he was scrawling graffiti (signed: SOMA) on the walls of Soho and Greenwich Village; quickly taken up by dealers and gallery curators alike; followed by an astonishing, though fitful, flow of work that ended abruptly at the age of 27, when he died of heroin addiction like two of his heroes, the musician Jimmy Hendrix and the singer Janice Joplin.

That is the life-story of Jean-Michel Basquiat, quintessential New York painter of the 1980s, who recently enjoyed a major retrospective at the Whitney and is currently having a second large show, in Europe this time, at the Museum of Contemporary Art in Lausanne.

Basquiat, Puerto Rican on his mother's side, Haitian on his father's, was both more and less than the legend of his life. Though born in Brooklyn, his childhood was not a deprived one. Though his art blazes with anarchy, he was not the wild, untutored boy that his early sponsors sometimes pronounced him – and perhaps even hoped he might be. He drew from childhood onwards and his mother nurtured his passion for painting and drawing by taking him regularly to the major museums and galleries of New York City. The work itself is full of painterly references.

The Lausanne show charts his progress year by year, though that word progress is itself a misnomer. In a sense, there *was* no progress – it was all too hurried, too explosive, too frenetic. What his paintings and recordings record, in canvases that teem with signs and symbols, words combining street slogans and menu listings, images of African masks, cartoon heroes and much else, are the violent disharmonies of his own inner and outer worlds – that trick he had, for example, of scribbling a statement across a painting and then immediately crossing it out.

Basquiat has been many things to many critics. Because he painted images of Lester Young and Charlie Parker, and himself played the clarinet and the synthesiser, he is said to be predominantly a jazz artist and his paintings and drawings the visual equivalents of jazz improvisation. Because his mature work grew out of a graffiti-based art and he once took it into his head to list the per capita incomes of the states of America down the middle of one of his canvases, he is said to be a political artist. Because he used so much language in his work and juxtaposed his words with such unpredictably humorous results, he was, according to yet another, a concrete poet of the first order.

Two things are certainly true. In the words of one admirer, "he lived his life like a fire; he went out with the coals still hot." And he had a marvellously insolent way – like the young Bob Dylan – of seeing off some of the parasites who surrounded him; interviewer: "Do you have any Haitian primitives at home?" Basquiat: "What, you mean people?"

This Shakespeare travels well

Andrew St George enjoys the Oxford Stage Company's 'Pericles' and 'Comedy of Errors'

The Oxford Stage Company is now on the middle leg of an improbable tour which began in Surrey and arrives in Oxford via Gdansk en route to Osaka and Tokyo before concluding at Harlow in December. The two improbable plays, *Pericles* and *The Comedy of Errors* suit themselves well to travel, since each stretches geography as well as credibility. But this makes fine, honest, travelling Shakespeare, well performed and meticulously directed.

Shakespeare wrote *Pericles* (1607-8) with a little help from his friends, the novelists George Wilkins and Laurence Twine. Dr Johnson ignored it, and Ben Jonson called it "a mouldy tale" albeit in one of his own freshest plays. The play looks like a dry run, or rather a wet run given the engulfing sea images, for *The Tempest* or *The Winter's Tale*. As Pericles sails the eastern Mediterranean, the play becomes another *Odyssey*, full of shipwrecks, chance encounters, fatal meetings and warm reunions.

John Retallack directs with great tact and intelligence. He has sensibly cut the text. He draws out the play's mysteriousness and recognises Shakespeare's debt to music as an agency for the supernatural. It comes over as magic realism theatre, compered by the ghostly figure of John Gower (played by Leader Hawkins), called up to arrange the action and introduce each scene.

However, the set detracts from the illusion created by the words. It runs round three sides of the stage, the bottom half a covered walkway backed by ropes hanging like drying fettucini, but the top half unused and redundant. The lighting (Raymond Cross) is so apt and sensitive that the set becomes superfluous, the more so because it never contributes dramatically and because a narrator is on hand to massage the imagination.

The overall effect, however, is beguiling. The sea storms are excellent, with two sets of parallel poles representing the wave crests, bearing up and spewing out the swimmers, and the music (Karl James) an unobtrusive delight. But the costumes could be better: the women in Pentapolis look to be wearing curtains suspended from their elbows and wrists.

Most of the cast negotiate Shakespeare's difficult late verse. The scene in which Pericles recognises his lost daughter Marina forms a wonderful, tender moment, as she sings the old king out of madness and back into the world. This gathers Lear and Leontes in an instant: "Oh you gods. Your present kindness makes my past miseries sports."

As Pericles, Philip Bowen ages gracefully and mirrors the challenges he meets, whether in the assertive Cleon (Colin Mace) at Tharsus, or the elegant Simonides (Del Henney), father of Pericles' wife Thaisa (Ginny Holder).

Pericles finishes his journey at Ephesus, where *The Comedy of Errors*, the second touring production, begins. Shakespeare wrote it 400 years ago to outfarce the *forceurs* and fashion a comedy based not on one but two sets of identical and identically named twins. It is another improbable romp, a day out in Ephesus amongst a "rabble of vile confederates", and it is immensely enjoyable.

The production opens somberly, the cast circling in plain, dark costumes. It begins a beautiful unravelling of this tangled farce. Just as an actor playing a drunk must do everything possible to strive for sobriety, so good farce should tether itself to seriousness. Like many pleasures, farce involves anticipation and delay; the end of the play should be the end of satisfaction, as it is here.

Retallack develops an intelligent approach which has outgrown the motley and red-nose school of slapstick *Errors*. Each individual makes the best of what is available, and treats every instance of mistaken identity not as a mistake but as the world as it is.

The serious approach also allows the characters to step into soliloquy, as Antipholus of Syracuse, newly arrived in Ephesus to find his twin brother, muses on his state: "I to the world am like a drop of water / That in the ocean seeks another drop." The aside which Dromio indulges on the charms of the cook also fits into place as a piece of whimsy in a serious situation: "She's the kitchen wench and all grease . . . If she lives till doomsday, she'll burn a week longer than the whole world."

The fine judgment falters in only one dreadful scene, where a quack comes to cure Antipholus of Ephesus and wastes the scene by camping around with bells and whistles. A few illegible doctor's notes would have been much funnier. Again, the set seems incidental to the action: the costumes here are fine enough and the acting strong enough to sustain something more minimal and risky.

The acting fizzes and bubbles. The two Antipholuses (Grant Parsons and Philip Bowen are uniformly alike each other, even to the extent of beating their twin servants, the two Dromios Anthony Howes and Clive Duncan). This bemused quartet is battered around the stage by Adriana, the termagant wife to Antipholus of Ephesus, played with gattling-gun speed by Susan Colverd. She sends insults, blows or pleasantries with equal vigour and is well supported by the other women, Luciana her willowy sister (Catherine Prendergast, whose *montilla* resembles an extended vegetable steamer) and the local courtesan slinkily played by Ginny Holder.

The productions tour to: Arundel (Aug 31-Sept 4), Bury St Edmunds (Sept 13-18), Bracknell (Sept 20-15), Crawley (Sept 29-Oct 2); Osaka (Oct 6-11), Tokyo (Oct 13-17), Stirling (Oct 26-30), Taunton (Nov 2-6), Watford (Nov 9-13), Swindon (Nov 16-20), Winchester (Nov23-27), and Harlow (Nov 3-Dec 4)

Pop concert/Peter Berlin

Iggy Pop 25 years on

In rock and roll's Jurassic Park, a theme park where revivified creatures from another age stalk the stage failing to scare the children but taking money from their parents, Iggy Pop is one of the few dinosaurs who still has all his own teeth.

Iggy has been at it since the late 1960s. His recorded output has been patchy; but on stage he still gives a masterclass in the essence of rock music. His three piece band dress dully and stay in the background. They provide a simple musical stage for Iggy's star turn with pounding drums, relentless bass and very loud power chords spiced up by occasional, but brief, screeching guitar solos. "I Want To Be Your Dog", 24 years old, fits seamlessly alongside songs from Iggy's latest album *American Caesar*.

If Iggy has learnt anything in 25 years on stage it is how to exploit his talent for rock theatrics. He starts the show bare chested, his scrawny but well-muscled torso thrust forward. He yelps, he pouts, he stamps, he jumps. He marches round with a peculiar stiff-hipped, arthritic strut. He clambers on to speakers, he smashes microphone stands, he falls over. In the pause after just the third number he dives off the stage, to the evident surprise of his band and roadies, to be caught, pawed and clung to by the crowd and has to be dragged back on stage. He drops his ripped jeans and hops round the stage like a naughty child who does not want to go to the loo. He pulls out his penis to provide a clear demonstration of the link between sexual excitement and rock music. "All the world's a stage," he sneers during the encore.

He applies his talent for the dramatic to the music as well. He has a few aces up his sleeve and plays them cleverly. "Raw Power", forever the simple, crashing, statement of what Iggy stands for, is the second song. Other early Stooges numbers pop up later: "No Fun" builds to a frantic sustained climax. The songs from the Bowie liaison provide a sparser, even – in the case of "China Girl" – melodic contrast, without sacrificing the hard edge.

The show ends with a chaotic encore; more stage diving, more trouser dropping. Beer glasses start to fly, one particularly large fan tries to wrestle his way on stage. And Iggy drags rock music back into the primordial ooze with a basic version of "Louie Louie", the most basic of rock and roll songs. He has squared the circle, proved that the basics of rock music have hardly changed in 30 years. Here is the raw stuff from which life forms as diverse as Deep Purple, the Sex Pistols and Nirvana evolved. Scientists should take samples of Iggy's DNA for the benefit of later generation.

INTERNATIONAL ARTS GUIDE

A new era at the English National Opera begins next Thursday with the first performance under the incoming management team of Dennis Marks and Sian Edwards. But much of their initial programme is taken over from their predecessors: the opening two weeks, for example, are given over to revivals of Simon Boccanegra (with Gregory Yurisich in the title role) and Street Scene (with Josephine Barstow), while David Pountney and Mark Elder - pillars of the old regime - feature prominently in the course of the season.

The first new production is La boheme on September 15, staged by Steven Pimlott and conducted by Edwards, with a cast led by Roberta Alexander. Wagner returns to the ENO for the first time in eight years with a new production of Lohengrin (Nov 20), conducted by Elder, produced by Tim Albery and designed by Hildegard Bechtler, with a cast led by Edmund Barham. The season's other new productions are Smetana's The Two Widows produced by Pountney, starring Marie McLaughlin (Dec 20), Der Rosenkavalier conducted by Yekov Kreizberg and staged by Jonathan Miller, with a cast led by Anne Evans and John Tomlinson (Feb 2), the world premiere of Judith Weir's Blonde Eckbert (April 20) and Cosi fan tutte with Vivian Tierney (May 5).

Madama Butterfly opens the Royal Opera season on September 11 (with Diana Soviero and Neil Shicoff), followed by L'Italiana in Algeri starring Marilyn Horne and Ruggero Raimondi (Sep 18). The first new production is Die Meistersinger on Oct 8, conducted by Bernard Haitink and staged by Graham Vick, with a cast led by John Tomlinson, Thomas Allen and Nancy Gustafson. The season comprises 20 operas, seven of them in productions new to Covent Garden. These include Massenet's Chérubin conducted by Gennadi Rozhdestvensky (Feb 14), Giordano's Fedora with Mirella Freni and José Carreras (May 9) and Aida conducted by Edward Downes and staged by Elijah Moshinsky (June 16). Among the revivals are Eugene Onegin (Oct 21), Tosca (Dec 4) and Gawain (April 14).

EXHIBITIONS GUIDE

ANTWERP
Museum Mayer Van den Bergh The Triumph of Death (1626): a recently-discovered painting by Pieter Brueghel the Younger. Ends Dec 31. Closed Mon
Hessen House Story of a Metropolis: a portrait of Antwerp's golden age in the 16th and 17th centuries. Ends Oct 10. Closed Mon
Onze Lieve Vrouwekathedral Antwerp altar pieces of the 15th and 16th centuries. Ends Oct 3. Daily
BASLE
Kunstmuseum Picasso: drawings covering all periods of the artist's work, selected from the museum's collection and supplemented by loans from the Schaub-Tschudin Foundation. Ends Oct 10. Daily
Museum für Gegenwartskunst Rémy Zaugg (b1943): 150 large screenprints. Ends Sep 26. Closed Mon
EDINBURGH
National Gallery of Scotland Holbein and the Court of Henry VIII: 28 portrait drawings and five miniatures from the unrivalled royal collection at Windsor. Ends Sep 26. Daily
Scottish National Gallery of Modern Art Russian Painting of the Avant-Garde: a survey of the extraordinarily fertile period in 20th century Russian art before the Stalinist suppression of innovation and experiment. Ends Sep 5. Daily
Royal Scottish Academy The Line of Tradition: 300 watercolours, drawings and prints by Scottish artists from 1700 to the present day. Ends Sep 12. Daily
Scottish National Portrait Gallery Phoebe Anne Traquair (1852-1936): 150 paintings, embroideries, illuminated manuscripts and decorative enamelwork by one of the most accomplished artists of her generation. Ends Nov 7. Ends Oct 3. Daily
City Art Centre The Waking Dream: the only British showing of the privately-owned Gilman Paper Company collection of photographs, charting the development of photography from 1839 to 1939. Ends Oct 2. Daily
● Combined tickets can be bought for all major exhibitions during the Edinburgh Festival. Admission to the permanent collections is free. Information: tel 031-556 8921.
FLORENCE
Casa Buonarroti Michelangelo - 18 masterpieces: these are the top drawings out of the 200-strong collection owned by the Buonarroti Foundation. All are of the highest quality, and all are signed by the artist. Ends Oct 30
Galleria del Costume di Palazzo Pitti Fashion at the Court of the Medicis. Ends Dec 31
GLASGOW
Burrell Collection A Celebration of Art in Nature: an exhibition celebrating the tenth anniversary of the building which houses one of the most prestigious public art collections in the world - the Burrell Collection. Ends Nov 10. Daily
Hunterian Art Gallery Charles Rennie Mackintosh, Master of Design: drawn entirely from Glasgow University's own Mackintosh collection, some 50 works illustrate his remarkable versatility, including designs for clocks, doors, tombstones and textiles. Ends Aug 28. Closed Sun
HILDESHEIM
Roemer und Pelizaeus Museum Bernward of Hildesheim and the Age of the Otto Dynasty: an exhibition of silk, crystal, illuminated manuscripts, wall coverings, bronzes, goldsmiths' work, religious reliquaries and other treasures marking the 1,000th anniversary of the appointment of the influential Hildesheim bishop, who was an adviser to medieval German emperors and a patron of the arts. Ends Nov 28. Daily
LAUSANNE
Musée d'Art Contemporain Jean-Michel Basquiat (1960-88): 100 paintings and drawings by the Brooklyn artist whose images often reflect the harsh realities of street life. Ends Nov 7. Daily
Fondation de l'Hermitage Monet and His Friends. Ends Sep 26. Closed Mon
Musée Cantonal des Beaux-Arts Balthus (b1908): more than 80 paintings and drawings by the French-Polish painter with a capacity to surprise and shock. Ends Aug 29. Closed Mon
LONDON
Hayward Gallery Aratjara: the largest exhibition of Aboriginal art to be seen in Europe. Ends Oct 10. Daily
Royal Academy of Arts Pissarro's Series Paintings. Ends Oct 10. Daily
Tate Gallery Art and Liberation: painting and sculpture in postwar Paris 1945-55. Ends Sep 5. Edward Burne-Jones: sketches from the museum's collection. Ends Nov 7. Daily
MARTIGNY
Fondation Pierre Gianadda Degas: his entire work as a sculptor. Ends Nov 21. Daily
MUNSTER
Landesmuseum 1,200 Years of Visual Art in the Bishopric of Münster: altar paintings, sculptures, goldsmiths' work, book illustrations and drawings from the early Middle Ages to the 19th century, illustrating how art and religion went hand in hand in the history of one of Germany's oldest cities. Ends Oct 31. Closed Mon
NEW YORK
Guggenheim Museum Paul Klee: 60 works from the museum's own collection. Ends Sep 19. The main museum is closed on Thurs, the SoHo site on Tues
Metropolitan Museum of Art Nudes: 30 works by Schiele, Klimt, Chagall, Picasso and Munch. Ends Oct. Paul Klee: 26 drawings. Ends Oct. Abstract Expressionism: works on paper 1938-67 by American artists. Ends Sep 12. Closed Mon
Museum of Modern Art Latin American Artists of the 20th century. Ends Sep 7. Closed Wed
PARIS
Louvre French Drawings from the Pierpont Morgan Library: beginning with works from the 14th century, the exhibition reaches its climax with 18th century masterpieces by Watteau, Fragonard and La Tour, and some great names from the 19th century, including Degas, Cezanne and Gauguin. Ends Aug 30. Closed Tues (Pavillon de Flore)
ROME
Palazzo degli Esposizioni Italian Journey: landscapes by 19th century Russian artists. Around 60 oils and watercolours follow the well-trod path of the Grand Tour, from Ivanov's mirror-still Grand Canal in Venice, down to Zamat's dramatic rendering of the waterfalls at Tivoli and a delightful group of small oils showing the Neapolitan coast by moonlight. Ends Aug 30. Also Art and Architecture - Richard Meier and Frank Stella: scale models and plans relating to the successful museums built by Meier, shown alongside the huge, garishly-coloured geometrical work of Stella, his life-long friend. Ends Aug 30. Closed Tues
S Michele a Ripa Borghese Collection: works by Titian, Caravaggio, Rubens, Raphael and others, on show in this deconsecrated church while the villa in the Borghese gardens is being restored. Ends Dec 31
VALLE D'AOSTA
Saint-Benin Centre
Archaeological Museum Gauguin and painter-friends in Brittany: the exhibition aims to show just why the Brittany of Pont-Aven and Le Pouldu was a chosen land for Gauguin and fellow-artists Emile Bernard and Paul Serusier. Ends Nov 7
WASHINGTON
Hirshhorn Museum Jean Dubuffet: 97 paintings, sculptures and assemblages by the unconventional 20th century French artist. Ends Sep 12. Daily
Phillips Collection A Dialogue with Nature: part three of a series devoted to nine contemporary sculptors. Ends Oct 10. Daily

Airlines must fly solo

The US government will not rescue the industry, says George Graham

US airlines, struggling after three years of heavy losses, once had high hopes that the government would help them return to health. But now they realise they will have to find their own cure.

A much-heralded report from a government commission on airline competitiveness was not even off the presses before important recommendations started to fall by the wayside.

Some of the more ambitious suggestions are widely viewed in Washington as having only a slim chance of passing Congress – notably the proposal that foreign companies should be allowed to raise their voting stakes in US airlines to 49 per cent from 25 per cent. In the past, Both British Airways and KLM, the Dutch national carrier, have had plans to take large stakes in loss-making US airlines frustrated by this limit.

The commission also recommended exempting airlines from the new transportation fuel tax included in President Bill Clinton's budget. But in the search for revenues to wrap up a deal that would get the budget through Congress, the exemption was trimmed back to two years only.

In many ways, the commission, set up in April, has come along too late. Its recommendations have had no influence on the budget debate.

Above all, most big carriers have already taken significant measures to restore profitability, by downgrading some expensive "hub" airports, and cutting domestic networks to concentrate on profitable routes. Others have built up new sources of revenue from providing logistical and consultancy services to other airlines.

It is as well that they have done so, for the commission concluded that the airline industry's problems were not so much the result of structural dysfunctions that could or should be remedied by government as of the airlines' own mistakes.

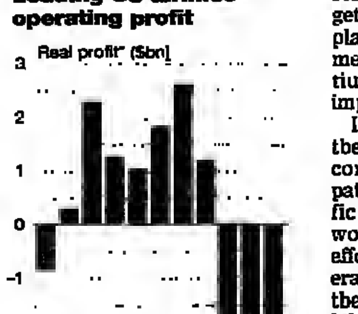
The report notes that much of the decline in profitability has occurred in short-haul markets because of competition from low-cost airlines.

"Average yield declines in these markets are not indicative of irrational pricing behaviour, but of the fact that a large proportion of domestic traffic flies in markets where these low-cost airlines operate. While this development has depressed the yields and profitability of higher-cost airlines in the short term, it is evidence of a dynamic competitive process," the report concludes.

This process has by no means worked itself out. Southwest Airlines, the one leading carrier that has remained profitable, is expanding to the north-east, and is currently engaged in a fare war with USAir which has seen prices for a Baltimore-Cleveland ticket drop as low as $19.

The report also points the finger squarely at management errors. "The industry itself, primarily by taking on excessive debt, must bear its fair share of the burden for its current state," the commission writes, citing the 1992 summer fare war, and a pattern of ill-timed expansions, as well as the creation of too many connecting hubs.

Leading US airlines' operating profit



* GDP implicit Price Deflator, 1987=100
Source: US Department of Transportation

Nevertheless, the report does identify some areas where government could take measures to help the industry.

In the tax area, the commission concludes that the federal government places a large and disproportionate burden on the airline industry, which should "no longer be viewed as revenue generating machines for the government".

Besides the recommended two-year exemption from the transportation fuel tax, the report argues for rolling back the ticket taxes levied on airlines. However, the current reluctance of Congress to pass anything which reduces government revenues makes this proposal seem unlikely to generate much support. Scepticism over congressional reaction is shared by the International Air Transport Association, which represents most of the world's airlines.

More radically, the commission proposes a complete restructuring of the Federal Aviation Authority as an independent corporation, which would remain under government control but would have its own budget safe from raids by Congress and would be able to issue bonds to finance capital improvements. Such improvements are badly needed, the commission says.

It also advocates a satellite-based navigation and control system which could save the airline industry $5bn a year through reduced delays and improved routing.

The prospects for effective modernisation are not encouraging. The authority is behind schedule and billions over budget on its 1982 modernisation plan. The commission recommends a public-private consortium to develop and implement improved technology.

In the international arena, the commission argues for a complete redrawing of the patchwork of bilateral air traffic agreements that governs world aviation, urging an effort to reach liberal multilateral agreements. The US is in the middle of renegotiating a bilateral accord with the UK and is about to start talks with Germany.

A multilateral air agreement is viewed by most industry observers as a distant pipe-dream. The advantages of such an accord would accrue disproportionately to the US. But it is unlikely to be agreed at all as long as Congress remains reluctant to permit foreigners to own bigger shares in US airlines.

In the end, the cure is in the hands of the carriers and their ability to take advantage of a slowly improving economic climate. "They have learned... In the future they will be more conservative." says Mr Clifford Winston, an economist at the Brookings Institution, a Washington think tank.

Additional reporting by Lisa Bronsten and Daniel Green

Out of pocket for making the grade

John Authers says good A-level results may mean students paying more for university education

Britain's A-level examination results, which yesterday showed more pupils passing and at better grades than ever before, have intensified a funding crisis at universities. Ironically, this success will almost certainly mean other students having to pay at least part of their tuition bill in the future.

Universities have made more offers of places than they can afford. No student who has fulfilled the conditions set will be turned away this year, but universities will reject more candidates than usual who have only narrowly missed their target results. Unless more money can be found, next year they will reduce the number of places on offer.

The latest dilemma for universities comes after a war of attrition with the government over funding that has lasted since the early 1980s. Ministers are eager for more students to enter higher education, but have not addressed the other side of the equation: how the extra places are to be paid for. Mr John Patten, education secretary, who should return to his desk on Monday after a period of illness, knows that to put fresh burdens on middle-class parents would add to the government's political woes.

Political decisions taken in apparent haste have not helped. The problems created by the A-level results follow a cut in government funding for classroom-based (mainly arts) subjects announced last December, when most offers for places for the 1993-94 academic year had been made.

Adding to the pressures, applications for the academic year about to begin have increased by between 6 and 7 per cent. And yesterday's results show that the proportion of A-levels passed with one of the top three grades – usually required by universities – rose by 1.6 per cent.

Something must now give. The most likely result is that those universities that have to accept more students than they can afford this year will cut back the offers they make next year by several thousand.

Such forces lie behind the report today of the Committee of Vice-Chancellors and Principals on alternatives for raising extra finance for higher education from students themselves. Without extra funds from somewhere, the committee warns, the ideal of mass higher education, as envisaged by the Lord Robbins' committee of inquiry report in 1963, would have to be abandoned. University heads will debate the various forms of taxes on graduates and announce a favoured alternative at the end of a meeting of the vice-chancellors committee on September 23.

For the government, the prospect of raising an extra tax, even if it affects only one section of the population, is not appealing – particularly one that is likely to hit more affluent families the hardest.

In 1984, faced with a revolt by backbench Tory MPs and by many middle-class parents, the Thatcher government executed a climbdown over the then education secretary Sir Keith Joseph's proposal that students should pay towards their tuition. With a smaller parliamentary majority, Mr John Major will be reluctant to risk a repeat of that episode.

So the "awkward game of tennis", as one vice-chancellor puts it, between the government and universities, over who should take responsibility for a decision on raising funds from students, has continued.

An earlier shot came in May when vice-chancellors requested an extra £3.2bn for capital spending on top of sums already announced for 1993-94. They claimed £1.35bn of capital funding was needed just for backlog maintenance to buildings. It also asked for £581m for capital spending on teaching, and 55,000 more student beds over the next three years, at a cost of £818m.

With the public sector borrowing requirement already approaching £50bn the request was unrealistic, as the committee knew. But the intention was to publicise the amount that universities needed, and to make it clear that the money would have to come from elsewhere if necessary.

In June, Professor John Ashworth, head of the London School of Economics, unveiled a plan to make LSE students pay top-up tuition fees, with means-tested bursaries for those with difficulty paying.

To the government, his announcement opened up the possibility of universities shouldering the opprobrium for introducing fees. Mr Tim Boswell, higher education minister, refused to block Prof Ashworth's plan, although he denied he would encourage it. In the end, the ruling academic board of the LSE voted against the proposals.

Today the vice-chancellors' committee has taken the debate further by suggesting four methods of raising money from students, which would all delay payment until the students have graduated and are earning salaries. The idea is that the income of a pupil's family should have no impact on their decision to apply and that graduates who choose not to seek higher paid jobs should not be disadvantaged.

The options are:

- A graduate tax. Graduates would pay a higher rate of income tax than non-graduates throughout their working lives. Graduates could start paying the extra tax once their income had passed a certain level. All funds raised from the tax would be earmarked for universities.
- A tuition fee paid through a loan. Repayments would be made via higher income tax payments, as with a graduate tax, so those with lower incomes would take longer to repay. London Economics, the consultancy which produced the report, suggests funds could be provided by either the Treasury or private banks, with the government guaranteeing against defaulting. A similar system has recently been introduced without great controversy in Australia.
- A fee for students' living costs again paid with a loan, repayment of which, made after graduation, would be linked to the tax system. Under this scheme, students would decide the size of the loan they wished to take out.
- Top-up tuition fees, again with a loan linked to the tax system. Institutions could exercise an option to set fees higher than those provided for by the public finances. This could add a controversial extra dimension to competition between universities.

Although the report does not make a definite choice, it appears, on criteria such as cost, flexibility and acceptability, to favour the Australian-style system of tuition fees paid via state-subsidised loans. The graduate tax would raise the most revenue and be the cheapest to administer, but London Economics says it is the option likely to be opposed most by students.

All the schemes, with the exception of the graduate tax, would require significant government subsidies, in the form of cheap loans.

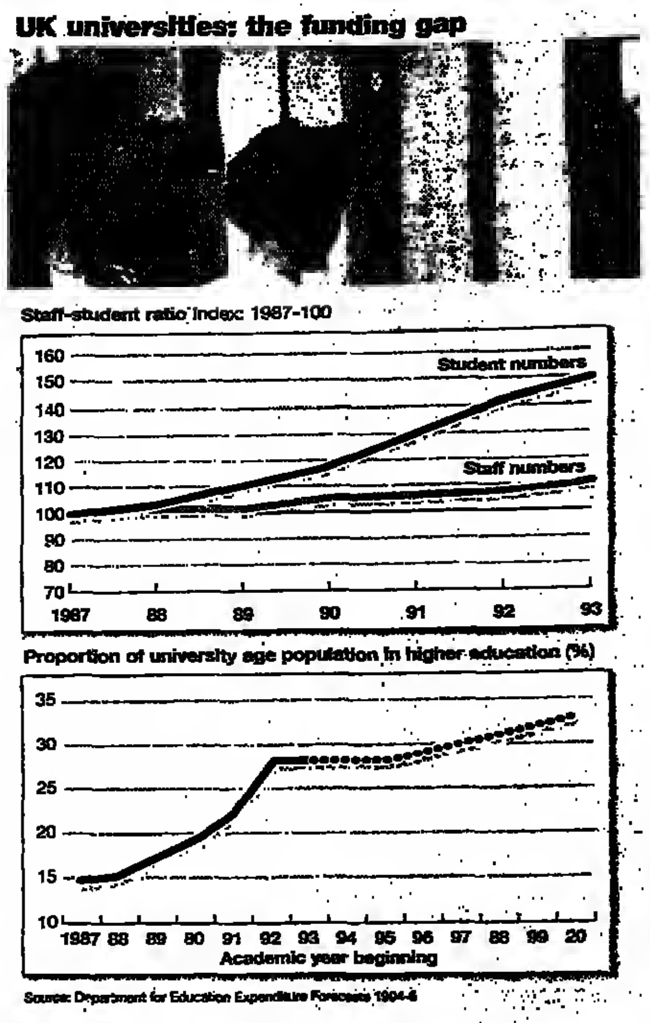
University principals are pressing for an early government response to the report. They point to the expansion in student numbers over the past four years, resulting from a deliberate government policy of promoting higher education and, until this year, increasing Treasury subsidies for tuition fees. In England, the number of students has risen by 46 per cent to 753,000 in the past four years, according to the Higher Education Funding Council – equivalent to creating 20 new large universities the size of those at Leeds and Manchester.

Faced with the public finance squeeze, the government wants expansion to slow down. Hence its decision to cut tuition fees this year. The distress felt by this week's A-level candidates has revealed the crudeness of the government's control mechanism.

With the publication of today's report, the ball is back in the government's court. It must make a decision soon if the benefits of Britain's swift expansion are not to be lost.

Review of Options for the Additional Funding of Higher Education, by London Economics. From CVCP, 29 Tavistock Square, London WC1H 9EZ. £10

UK universities: the funding gap



Source: Department for Education Expenditure Forecasts 1994-5

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Speculation an inevitable result of ERM

From Prof Steve H Hanke.

Sir, Your editorial, "An entente that remains elusive" (August 13), concludes that the French and Anglo-Saxon views about currency speculation are in sharp contrast with each another. The French treat speculative activity as immoral whereas Anglo-Saxon countries consider it a legitimate and integral part of the free-market process.

The ink had not yet dried on your editorial before Mr Edouard Balladur, France's prime minister, confirmed your thesis. Indeed, on the evening of August 12 Mr Balladur castigated speculators and called for reforms to clamp down on them President François Mitterrand joined the French chorus the next day when he said: "I find it insane and immoral that speculation, using billions of dollars, can have its way against states representing their people's interests and upset the daily life of millions of people" ("Mitterrand lashes out at speculators", August 16).

That French attitude is nothing new. In the good old tradition of the "terror", Mr Michel Sapin, France's finance minister in the most recent socialist government, reacted to the events of September 1992 with remarks that were destined to gain him a prominent place in the foreign exchange annals. He said: "I will fight, we will fight, France and Germany will fight this speculation, which is based on no economic fundamentals. During the French Revolution such speculators were known as 'agioteurs' and then were beheaded."

Alas, whenever their currencies are weak, politicians on the Continent embrace primitive ideas about speculation and concomitant conspiracy theories. This is an old and venerable tradition. For example, towards the end of the 16th century the Hanseatic League, the association of merchant towns in northern Germany, then on the decline, accused the Merchant Adventurers, English businessmen specialising in imports, of immoral speculation "against the league's currency".

Using speculators as scapegoats is just a pathetic ruse to cover up bad government policies. If politicians were consistent they would not only criticise speculators when currencies were weak but would also sing their praises when currencies were strong. That, of course, would be absurd. Government policies, not speculators, cause currency values to fluctuate. Speculators are just the messengers who deliver the news.

In the interest of elevating understanding about exchange rate regimes the French politicians should eat some humble pie, eschew their planned summer reading and delve into serious economic literature. A recommended point of departure is "Achilles heels in monetary standards", in the American Economic Review, March 1940. That classic article by Professor Frank D Graham describes why pegged but adjustable exchange rate regimes, such as the exchange rate mechanism, open the floodgates of disruptive, almost riskless, speculation because "sure things never lack enthusiastic takers . . . including banks that are shrewdly administered".

Until the ERM is abandoned to the proverbial dustbin of history we will see the same scenario repeated over and over again.

Steve H Hanke,
professor of applied economics,
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Putting the case for self-interest

From Dr I Feng.

Sir, First we were told that tax cuts would benefit the poor through "trickle-down". Now it is "improved incentives for entrepreneurs".

However, in his article "The case for redistribution" (August 16) Michael Prowse unwittingly confirms the suspicions of those who think such arguments are simply a cloak for naked self-interest on the part of the journalists and other professionals who advocate them

As an example of a wealth-creating entrepreneur, whose taxes must speedily be cut in order that he may be stimulated to create new jobs, Mr Prowse cites . . . a freelance journalist.

I Feng,
34 Rue St-Senech,
Paris,
France

UK productivity

UK productivity rose by 70 per cent over the past decade. The figure in yesterday's letter from Mr Mark H J Radcliffe was incorrectly printed.

Chemicals industry improving its record

From Mr John C L Cox.

Sir, The UK chemicals industry is one of Britain's most successful manufacturing sectors and one of the most frequently criticised on environmental issues. Yet it is almost certainly the sector most publicly committed to improving its environmental performance

Since 1989 the industry has adopted the international Responsible Care voluntary programme for performance improvement in health, safety and environment matters. My association represents most of the UK industry and membership is conditional upon participation in the Responsible Care programme. We have just published, as a first for UK industry, a three-year range of Responsible Care performance data for the industry. We intend to publish more.

Deepening recession may have caused environmental priorities to wane elsewhere but not in the chemicals industry. Despite the recession the sector has continued to spend an increasing percentage of its total capital outlay on environmental protection. Indeed, in 1992 the industry made capital and operating expenditure totalling £1bn on environment protection. Less than 55 per cent of that was required in order to comply with legislation.

There are a range of problems associated with developing and implementing environmental legislation at European Community and UK government level, both for the lawmakers and for industry. The chemicals industry continues to work with legislators to help create a civilised policy on the environment. We are making much progress towards an accord on what is desirable and workable.

John C L Cox,
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London SW1P 3JJ

Spare a thought for European non-smokers

From Mr Onésimo Alvarez-Moro.

Dr M Singer should spare a thought for us European non-smokers who will not be returning to a country where smoking has been made almost unconstitutional (Letters, August 18 and 19).

If a substantial majority of European residents are non-smokers, as statistics suggest, then the European tourist industry has a much bigger market to think about than Dr Singer suggests. Unfortunately, things move slowly and, while we are delighted to welcome Dr Singer back to our shores, US tourist dollars will probably not cause the changes required.

The real changes to protect non-smokers will happen when that silent majority stands up and complains. Otherwise we will have to continue to rely on vocal US tourists and the one or two of us who are labelled as cranks.

Far from being an American pleasure, as Dr R M Davis suggests, smoking can be described as the true Montezuma's revenge, given all the death and destruction it has caused.

But come back to Europe soon, Dr Singer. European non-smokers need all the help we can get.

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Friday August 20 1993

Germany's challenge

THE THIRD year of unification has, says the latest OECD report on Germany, brought "mixed results". So, indeed, it has. It has brought a deep recession, for one thing and declining inflation, for another. Fortunately, German economic policy should soon weigh less heavily on its neighbours, even if its own struggle with unification will remain long and arduous.

The immediate economic effect of unification on the east German economy was collapse: in 1991 east German real gross domestic product fell by 31 per cent. For west Germany and its neighbours, however, it was expansionary. With German demand rising still faster than output, its current account swung from a huge surplus of 5 per cent of GDP in 1989 to a deficit of 1¼ per cent in 1992, to the delight of its European neighbours.

The delight was not to last. The inflationary effects of unification were a red rag to the Bundesbank, already provoked by Mr Kohl's casual treatment at the time of the monetary unification. Monetary policy was bound to tighten, particularly in response to the wage push of 1991 and 1992. But the Bundesbank is finding it particularly difficult to lower inflation this time, largely because inflationary pressure has emanated from the public sector, private services and housing and construction, while inflation in the internationally exposed sectors is already less than 2 per cent.

However difficult lowering inflation may prove, nothing will stop the Bundesbank from trying. Given the tight monetary policy, the dwindling away of the fiscal stimulus and the length of the preceding expansion, it is hardly surprising that the German economy shrank at an annual rate of 1.5 per cent in the second half of 1992. In addition, says the OECD, it will shrink by 3.2 per cent in the first half of 1993, with a weak recovery expected only next year.

When the Germany economy catches a cold, its ERM-tied neighbours are certain to sneeze. What has aggravated the disturbance has been the instability in German policies and economic performance. This at least should soon end. From the smoke of the past few years should emerge a Germany with massive, but manageable, structural problems.

The economy of eastern Germany is in ruins. The share of manufacturing in eastern Germany's value-added, for example, is down to 14 per cent, while the transfer-supported level of demand is almost double the total value-added. Eastern Germany needs a growth miracle. With hourly wages in 1992 65 per cent of the west German level, but output per worker at only 40 per cent, it is unlikely to enjoy one. This will leave western Germany with a huge transfer burden. Transfers are about 5 per cent of west German GDP this year and are likely to remain that high for years.

Nevertheless, the OECD believes the fiscal position is containable. The ratio of gross public debt to GDP should not much exceed 60 per cent by 2000, even with trend growth of only 2 per cent a year. Meanwhile, the Bundesbank is likely to ensure modest inflation, but reduce short term interest rates substantially quite soon. With an external deficit, as west German savings continue to flow eastward, this should mean a weak exchange rate (both nominal and real).

The first consequence of German unification was economic expansion. The second was contraction. The third, likely to last rather longer than the first two, should be recovery. Meanwhile, Germany's neighbours should enjoy greater competitiveness against the rest of the world, combined with reasonably stable exchange rates against the D-Mark and considerably lower short-term interest rates. Germany is only at the beginning of its long voyage towards economic and social integration. But with luck, both it and the rest of Europe will soon see the haven of recovery.

Focus at Kodak

GOOD CORPORATE governance requires much more than a management board which is studded with successful independent directors. The latest and in some ways one of the most striking examples is to be seen in the story of Eastman Kodak, a world-class company which over the past 20 years or so seems almost to have gone out of its way to dissipate its resources. Now the price is being paid. Earlier this month, its chairman resigned: this week, the company announced that a further 10,000 jobs are to go by the end of 1995.

Kodak's culture is straightlaced and serious minded. Around its boardroom table sit the likes of Coca-Cola's Roberto Goizueta, former chairman of the New York Stock Exchange, John Phelan, and Dr Karlheinz Kaske, recently of Siemens. Its core business, silver halide photography, has continued to expand over the years, and its research efforts have been productive.

Yet its catalogue of strategic errors will stand as a casebook of the ways in which a corporation could go wrong in recent decades. There was complacency in the face of new competition from instant photography and from Japan, followed by debacle when its move into Polaroid's territory brought losses and heavy fines for patent infringements. There was the failure to exploit technological leads in areas like reprographics and publishing systems: inevitably, there was the enormously costly acquisition of a business about which it knew nothing.

These grim experiences have forced Kodak to reappraise its activities, and as a result it now appears to be regaining ground in some of its long-established business lines. But its story shows how feeble the business establishment can be when its own cage needs shaking. Kodak's non-executives and its shareholders sat around politely through years of visible decline. Someone should have been prepared to be ungentlemanly ages ago.

Barclays' man

IF A Hollywood casting director were asked to find someone to play the stereotypically reassuring banker, he would probably go for a man with an air of avuncular probity and enough white hair to compensate for the lack of a university education. Mr Martin Taylor, who is about to abandon his role as chairman and chief executive of Courtaulds Textiles for the chief executive's job at Barclays, could hardly be more different.

At a youthful 41, he suffers from a sharp intelligence, an Eton and Balliol pedigree and an early career in journalism, which is close to being a fatal handicap in commercial life in Britain, if not elsewhere. He also differs in another crucial respect from his future colleagues: he has run a quoted British company in an internationally competitive sector of industry with notable success.

If executives have crossed the line from industry into banking fairly infrequently, it is because the job of the deposit-taking and lending banker has traditionally been regarded as a specialist task. But as banking has moved from a cartelised, highly regulated business towards a more competitive, profit-maximising ethos, the skills of the industrialist have become increasingly relevant, notably in areas such as costing and financial control. The industrialist's skills are even more relevant when, as in Mr Taylor's case, he comes from a mature industry that has already confronted uncomfortable decisions. In banking the broad strategic choices are by now well understood, but there are plenty of difficult nettles that have yet to be grasped.

Equally striking is the way in which the prudential culture of commercial banking has been eroded by the increased pressure for profits. The vast sums lost in Latin America and in property provide overwhelming evidence to that effect: and that alone would suggest that the old view of industrialists, as being too red in tooth and claw to be put in charge of fiduciary deposits, is anachronistic. Nowadays it is the bankers who inspire less confidence.

Yet it is important that those who do cross the fence from industry should grasp why it is that banking remains fundamentally different. For a start, the cost of any given misjudgment is magnified by the enormous leverage in bank balance sheets: a small wedge of capital supports a huge edifice of assets and liabilities. Another peculiarity of banking is that exerts pressure in an equal and opposite direction is that big clearing banks will never be allowed to go bust. It follows that the chief executive of a clearing bank is, in effect, in a role of public trust and should recognise an implicit duty to the taxpayer in the way he runs the business.

In the final analysis, then, the test for Mr Taylor is as much a matter of judgment as of managerial expertise. He has to resist the temptation to outgrow the competition for the sake of it. The gravitas and grey hair will no doubt follow.

Iron fist in a velvet glove

Is an ex-journalist and Mandarin scholar the right man to run a UK clearing bank, ask **Tony Jackson** and **John Gapper**

For a man of 41, Mr Martin Taylor has acquired a remarkable reputation in the British business community. The image is an unusual one: old Etonian, Oxford Chinese scholar, editor of the FT's Lex Column, chairman of Courtaulds Textiles. Hugely bright and hugely endowed with boyish charm. For all his success, a man without enemies.

He may be about to acquire some. As the new chief executive of Barclays Bank, he will enter a politically charged and perhaps hostile environment. Clearing bankers tend to be clannish and conservative. What will they make of an ex-journalist and manufacturer being parachuted in above them?

He has another problem. His appointment is the result of highly public pressure from shareholders on Barclays and its chairman, Mr Andrew Buxton, to split the roles of chairman and chief executive. In his new role, Mr Taylor will have a chairman and deputy chairman above him and three divisional managing directors below him. What exactly will his function be? How does he know he is not being put in as a sop to shareholders?

"You just decide to trust people," he said yesterday. "I'm absolutely sure they want someone to do the job. I think they know I'm not the sort of person who'd hang around otherwise."

The last bit is characteristically adroit: the hint of steel, charmingly expressed. It is almost an effort to recall that as head of Courtaulds Textiles, he achieved his remarkable success at least partly by ruthlessly closing factories. "That's not a process that I relish," he says. "It's one of the most disagreeable things I've had to do."

He is a paradox in other respects. Financial journalists tend to be feckless folk: the better they are, the less likely they are to be able to run a whelk stall. Mr Taylor was a brilliant journalist. He has gone on to be a brilliant hands-on manager.

It is no less paradoxical that in the bitchy world of journalism, ba is recalled as being both very clever and very popular. He is very fast in thought and speech: at one stage as a young man be underwent speech therapy, since his attempts to express the rapidity of his thought made him at times unintelligible.

But however quick he is, the size of his latest step must leave room for apprehension. Well, yes, he says. There are areas of terror. "The main one is that there's a huge organisation here and I don't know what goes on inside it. But I've been used to managing a business with lots of people in it. When I took over at Courtaulds Textiles in 1987 it had 35,000 employees. That's not nearly as big as Barclays, but it's of a size where plainly you can't know everyone."

Of course, he concedes, there is a risk that the culture will reject him. "If I behave stupidly, yes. There are dead certain ways of getting up people's noses, like not listening and pretending you know more than they do."

But his ignorance of banking, he argues, is not complete. "I've been interested in banking and credit all my life. I've always been seen in the textiles industry as a City man. The irony is that now I'm here at Barclays, everyone says 'what the hell are you doing here? You're a manufacturer'. Perhaps I'm just a split personality."

He also claims another qualification, if a slightly indirect one. High street banking is a form of retailing. Nearly a third of Courtaulds Textiles' sales go to Marks and Spencer, the formidably successful retail chain. "I've been working very closely with Marks and Spencer for 10 years," Mr Taylor says. "What I've learned about from Marks is the way it thinks of its customers, and the way it sees the world through their eyes. I sense the banks are starting to do the same."

Mr Taylor might also with justice argue that the jump from Courtaulds Textiles to Barclays is no bigger than the jump from the Lex Column to Courtaulds. But there is one striking difference. When be went to Courtaulds, Mr Taylor went as the protege of Sir Christopher Hogg. (Sir Christopher, now chairman of Reuters and the Courtaulds chemical empire, is to replace Mr Taylor as chairman of Courtaulds Textiles.)

Age difference apart, the two men are rather similar: thoughtful and intellectual in approach, courteous in demeanour. Sir Christopher was undisputed master of Courtaulds, and could allow the young Taylor to blossom under his tuition. Indeed, Mr Taylor's move to Barclays has been materially assisted by Sir Christopher's willingness to step back into his shoes. "There's been tremeodous co-operatioo between the two companies," Barclays' chairman remarked yesterday, "with Christopher Hogg at the heart of that."

At Barclays, hy contrast, Mr Taylor may be entering a more bostile world. He can doubtless rely on the support of Mr Buxton, the chairman, whose position recently has come under fire. If Mr Buxtoo's position were as unchallengeahle as Sir Christopher's, he would not have needed Mr Taylor in the first place.

As it is, Mr Taylor faces three main challenges. The first is whether be will be able to work amicably and effectively with the other senior executives. The second is whether he will be able to improve the quality of management, both within its traditional banking operations, and its BZW investment hank. The last is whether he will to agree the correct strategic decisions with Mr Buxton over the next five years.

The challenge of fitting into the bank's senior management structure is considerable. Apart from Mr Buxton and Sir Peter Middleton, the deputy chairman, Mr Taylor will be trying to work with the chief executives of the three divisions: banking, BZW and the technology-related service husinesses. The relationship with Sir Peter has been the subject of most speculation, since be is the one senior executive who will not report directly to Mr Taylor.

Mr Taylor is at pains to downplay snch talk, pointing out that Sir Peter has already offered to hand over his main area of executive responsibility within the bank as a whole, its management of risk. "When I saw Peter last week, be said he wanted to hand it over and I said 'not yet please'," he says. He also argues that the formal structure is less important than the working relattonship that will evolve.

Mr Buxton makes a similar point.

There are areas of terror. 'The main one is that there's a huge organisation here and I don't know what goes on inside it'

"We actually wrote the joh descriptions for myself and the chief executive down when we started the search, hut when it comes to the crunch, you cross the lines of whose joh something is all the time," he said. Yet some observers believe the potential for Mr Buxton to seek guidance on strategy from either Sir Peter or Mr Taylor when difficult questions arise could be a source of tension.

Trevor Humphries
Splitting the roles: Taylor (left), chief executive, and Buxton, chairman

Mr Taylor's relationship with tbe heads of the operating divisions is crucial to his second challenge of improving management. The fact that he will be in charge of seasoned - and older - bank executives may bave played some part in Mr Buxton's preference for someone from outside banking rather than a directly comparable executive. He says that the hank bad to find someone who would command instant respect.

"I veered towards having a noo-banker, but someone with really good management experience that could be seen in his track record," he says. Yet the complexity of Barclays means that Mr Taylor will have to come to grips with more than one differeot business. At the same time, he will have to avoid offeoding executives sucb as Mr David Band and Mr Alastair Robinson, tbe beads of the BZW and banking divisions.

Mr Taylor displays the most excitement when talking about the task of raising the standards of customer service. "It is stupendously difficult, maybe the most difficult challenge of the job," he says. He arrives as the bank is experimenting with new ways of delivering services such as telephone hanking, and concern among senior managers that this could be upset by a new chief executive.

The crucial difficulty of judging his performance at Barclays will be that banks are inherently cyclical businesses

He also faces the problem that some staff could regard his record as hatchet man at Courtaulds Textiles askance. There is also tbe questioo of whether he will interfere counter-productively. He is cautious on this. "It may be that the banking division is already doing everything that could be done. I would be surprised," he says.

The task of managing BZW is entirely different, since the investment bank comprises many talented but temperamental dealers and advisers. Mr Taylor argues that no British bank has yet discovered the full secret of managing a securities operation. "These are relatively oew kinds of organisation, and there's no template for them," he says. "Some people think there's a magic ingredient called managemeot which can be added. I am sure management has a rola, but I am oot sure what it is. I am looking forward to finding out."

Others are less sanguine. A senior executive at another bank says the new chief executive will have a difficult task working with Sir Peter Middleton, made worse by the fact that Sir Peter has an executive niche at BZW. Internal tensions, he claims, are being caused at Barclays by the fact that some old banking operations, including the treasury division, have been put under BZW cootrol. "It is getting a bigger and bigger problem," he says. "It is the tail wagging the dog."

These are questions which Mr Taylor will face immediately, and the answers may emerge quickly. But the crucial difficulty of judging his performance at Barclays will be that banks are inhereotly cyclical businesses. The bank is in the middle of an upswing in earnings which will probably last until 1996 as the bad debt problems from loans made in the late 1980s recede and operating performance picks up.

Mr Taylor accepts that he can hardly claim mucb credit for what happens next. "There is no way that someone coming in like me will affect profits over the next 18 months," he admits. Yet there is little doubt that Barclays faces large strategic questions that will determine how well its profits are sustained. Lloyds' decision to divest poorly-performing business in the 1980s helped protect it in recession.

Mr Buxton agrees with this. "There are one or two strategic decisions every 10 years that can make a big difference," be says. Barclays made a hig error in the late 1980s hy expanding property lending. But he says that the bank made strategic errors in growing unwisely from the 1960s and 1970s onward. "Our UK bank has produced some pretty high returns, but they were wasted in some places overseas," he says.

Yet the division of labour mapped out between Mr Buxton and Mr Taylor lays primary responsibility for strategy with the chairman. Mr Buxton says Mr Taylor will play a far larger role. "Strategy will be very actively worked out between us. It is not something a chairman can decide by sitting in his office, writing it on a sheet of paper and handing it out to the chief executive to implement," he insists.

So Mr Taylor faces a curious mixture of tasks over various timescales. It will keep him husy for a while: but not, one assumes, for ever. It is a curious instance of his methodical approacb that he had already decided to move on from his executive role at Courtaulds Textiles before be was even approached by Barclays. At the outset, he had given himself seven years for the joh, and his time there was coming to an end. So bow long does he give himself at Barclays?

Ten years, he says. "One of the nice things about not being ridiculously old is being able to come to a place like this and say I've got plenty of time. Personally, that is. How mucb time tha market will give me is another question."

And then what? Chairman of Barclays? Ruler of the world? "Come back and ask me in the year 2004", he says. And in any case, the date is not to he taken too literally. "Ten years," says tbe ex-Mandarin scholar, "is Chinese for a very long time."

OBSERVER

Not enough rights left

■ Traditionally, August is a rum month for reshuffle speculation at Westminster with MPs off on their hols.

But this time it's rife and the rumour-mongers are showing a particularly keen interest in the medical bulletins of education secretary John Patten and the DTI boss Michael Heseltine.

Should either of these cabinet big-wigs be declared unfit to continue, the argument runs, the prime minister would have an opening to finish off what he started in May when he sacked chancellor Norman Lamont.

The keenest speculators are the Tory party's disaffected right. They are dismayed by the monopoly of "wets" in the main economic departments (Kenneth Clarke, David Hunt and Heseltine himself). But the right's problem remains the dearth of credible alternatives. Baroness Blatch would be an obvious successor to Patten. She is not one of them, and nor is Stephen Dorrell, the financial secretary and Peter Walker protegé. The right's only real star is the cerebral John Redwood but he has only just been given Wales.

The assumption is that Hezza will not return to duty until the Tory party conference in October but John Patten is expected back at his desk on Monday. His first public performance will give the speculators a chance to judge whether he really is fit for action.

Itstimeusaurus

■ The day after Abbey National admitted defeat and agreed to sell its chain of 347 estate agents for less than a tenth of what it paid for them, a reader received the following invitation from the estate agency arm of the Woolwich: "Don't let any old dinosaur try and sell your home... use the most advanced selling techniques available. If it isn't Woolwich, it's extinct!"

Northern grit

■ The arrival of Martin Taylor at the top of Barclays Bank is good news for Burnley. Apart from Charles Townley, the antique marble collector, James Stevenson, the Hollywood actor, and General Scarlet of the Crimea war, the Lancashire mill town has up to now been noted mainly for breeding footballing talent, most of which was exported to keep Burnley Football Club alive.

Despite Taylor's old Etonian education (he won a scholarship) and accent, he is a Burnley lad at heart. His brother is a well-known local solicitor and the local newspaper has dubbed him the "Burnley-born genius".

"He is so energetic it is tiring

eveo to talk to him. He talks like he lives. Fast!" says the Burnley Express, which also revealed the little known fact that Taylor has been known to talk to himself. Who knows – the local chamber of commerce might even name a park bench after him.

Usherettes?

■ The House of Lords is advertising for a Yeoman Usher of the Black Rod to help the Gentleman Usher of the Black Rod and Serjeant at Arms keep their lordships in order.

Someooe with proveo management skills and some experience of information technology is heing sought. No problem with that except for the fact that the advert states that the House of Lords is an Equal Opportunities Employer.

Since wheo has equality of opportunity had anything to do with getting a job in the Lords?

Discounted

■ "Take the train to Windsor for an unforgettable day out" gushes NetWork SouthEast's latest lavishly-illustrated poster. Among the attractions oo the poster, promoting cheap fares, is a cut-away drawing of Windsor Castle whicb clearly depicts St George's Hall "primarily used for banquets" and the Waterloo Chamber which "the Royal Family use for their Christmas pantomime".

Bit odd, since both these imposing state rooms were all but destroyed in last year's fire. British Rail would be providing the country with a better service if it eocouraged trippers to visit Buckingham Palace whicb has been specially opened to raise money to repair Windsor Castle.

Windsor Palace?

■ So ex-RHM boss Stanley Metcalfe, who made his name in millin' and bakin', is adding hotel-keepin' to his portfolio. A blunt Yorkshireman, the new non-executive chairman of Queens Moat Houses is not keen on talking to the press but he clearly has his fans at Morgan Grenfell, the merchant bank which has taken a lead role in advising QMH.

Andrew Coppel, QMH's new chief executive, is a one-time Morgan man, and RHM was a Morgan client before the food group was taken over by Tomkins at the end of last year. Given that QMH owes £1bn to 65 banks, it might have been thought that the job of chairman would go to a banker. However, when Morgan drew up its shortlist, Metcalfe's name was on top. Old colleagues at RHM are wondering whether one of his first moves will be to take RHM's redundant headquarters in Windsor off Tomkins' hands. It would make a smashing hotel.

Smoke-free

■ The recent correspondence on smoking has reminded a colleague of a North Sea ferry crossing he made a few years ago. The cabin, which was shared by six strangers, displayed a sign explaining that smoking was allowed "by consensus".

In the middle of tha night five sleepers were awoken by the sixth occupant, a burly soldier going home on leave, who asked if it was all right for him to smoke. Yes, it was agreed after some eye-rubbing, be could smoke. "Oh good," he said, "anyone got a cig?"

FINANCIAL TIMES
Friday August 20 1993

Losses lead to shake-up at the top

Ford's German chief may sue over transfer

By Kevin Done, Motor Industry Correspondent, in London

FORD, the US carmaker, became embroiled in public conflict yesterday with one of its top executives in Germany, in the latest shake-up of its European management.

Mr John Hardiman, dismissed this week from his position as chairman of the management board of Ford-Werke, is considering taking legal action for breach of contract.

Ford of Europe announced on Wednesday that Mr Hardiman would return to the US to Ford's international automotive operations. He was to be replaced immediately by Mr Albert Caspers, Ford of Europe manufacturing director, who was to add the chairmanship of the German subsidiary to his existing role.

Mr Hardiman announced yesterday through his lawyer that he was considering legal action against Ford. One option was to seek a temporary injunction against the dismissal to force his reinstatement.

Ford of Europe claimed on Wednesday that Mr Hardiman's move was part of normal management changes, but it became embroiled in public conflict yesterday as Mr Hardiman sought to fight the shake-up by Mr Jacques Nasser, who took over as chairman of Ford of Europe at the beginning of the year.

Ford of Europe is fighting to overcome its third year of heavy losses and is in the process of drastic restructuring including the cutting of around 10,000 jobs across its European operations. Ford has run up heavy losses in particular in the UK and in Germany, where Ford-Werke suffered a net loss of DM469m ($272.60m) last year.

Mr Ulrich Weber, Mr Hardiman's lawyer, claimed in Cologne yesterday that Mr Hardiman's dismissal was not valid. "Mr Hardiman's contract runs to the end of April 1995, and under German law such a contract can only be ended for gross misconduct, which nobody is claiming." Mr Hardiman had a written contract with Ford-Werke not with Ford of Europe or with Ford of the US.

Mr Weber said that the first that Mr Hardiman had heard of his impending dismissal was from German newspaper reports last week.

"We want to reach a reasonable settlement with Ford, but the other side must move. We have a strong legal position but we would prefer an out-of court settlement. We are not seeking fantasy sums but a settlement under his contract."

Talks between the two sides may be held next week, said Mr Weber. No offer of a firm position in the US had been made to Mr Hardiman, he said.

Mr Hardiman, 50, has worked for Ford in Europe for more than 30 years. He became chief executive of Ford-Werke. Ford's German subsidiary, in 1989, and had been parts director for Ford of Europe and chief executive of Ford Italy and Ford Portugal.

Mr Weber said that Mr Hardiman had been given no reason for his dismissal. "It has been speculated that with all the movements in Wolfsburg (Volkswagen headquarters) Ford must react with new faces."

US trade deficit soars 44% as imports hit record levels

By Reuter in Washington

THE US trade deficit soared 44 per cent to $12.06bn in June, the biggest monthly shortfall in nearly six years, the Commerce Department said yesterday.

Imports rose 5.1 per cent from May to a record $49.71bn, while exports fell 3.3 per cent to $37.65bn. The resulting deficit was well above the $8.6bn expected and the biggest since the $12.56bn gap reported for October 1987.

The US deficit with Japan climbed to $4.33bn from $3.75bn in May. President Bill Clinton's administration wants Japan to keep stimulating its economy to bring its trade into better balance by importing more. US trade with western Europe also deteriorated to show a deficit of $1.70bn in June from a small surplus of $332m in May.

The Commerce Department slightly revised its estimate for May's total US trade deficit to $8.38bn from a previously announced $8.37bn. Exports of US-made industrial supplies fell by $826m to $8.85bn in June, while exports of consumer goods fell by $202m to $4.3bn.

One of the few bright spots in exports was stronger sales of civilian aircraft, which rose in value by $531m to $2.19bn. Boeing's foreign deliveries were reported to have increased to 22 aircraft in June from 18 in May.

But imports of many goods rose sharply and pushed the US further into the red on trade. Car imports climbed $431m to $8.59bn, while imported consumer goods grew in value by $629m to $11.3bn. The dollar rose against the yen yesterday, but has been steadily losing value. Continuation of this trend is expected to slow imports from Japan as they will become more expensive in the US.

The US economy has shown signs of slow revival, with a rise in industrial production in July after two monthly declines. But consumer confidence is shaky, especially with higher taxes on the way. Trade has become a weak spot because overseas markets remain soft, especially in Europe, so exports are unlikely to provide a big push for the slow recovery.

US chip reliance, Page 4

Disney to step up output of animated films

By Tim Burt in London

WALT DISNEY, the US entertainment group, yesterday announced a big expansion of its animated film production after the box office success of *Aladdin*, its latest feature, which has grossed more than $212m in North America.

The company, which last month reported a $30.9m quarterly loss on its investment in the Euro Disney theme park near Paris, said it intended to produce two feature-length animated films a year at studios in California and Florida.

Mr Max Howard, vice-president of Walt Disney Animation in Florida, said the decision represented "a move back into film-making". Although the company expected to make further losses on Euro Disney in the fourth quarter, Mr Howard denied that expansion of film production was prompted by the need to offset losses at the theme park.

"We're just maximising every part of our business," he said. "Expectations at Euro Disney have been too short-term. We've built a city there with a huge infrastructure. The returns will be in the future."

Speaking in London, where he is leading a recruitment drive for animators to work on new productions, Mr Howard said the films would be funded by revenue from *Aladdin* – due to be released in Europe later this year – and *Beauty and the Beast*, which has earned more than $147m in the US.

Walt Disney is seeking artists in the UK and continental Europe because of a shortage of US animators. Production will take place in Glendale, California and Orlando, Florida. The company is also working on *The Lion King* and plans to release *Fantasia Continued*.

Disney expects to complete a new studio in Burbank, California, by late 1994. There are no plans, however, to reopen Walt Disney Animation UK – the London studio where the Touchstone film *Who Framed Roger Rabbit?* was made.

THE LEX COLUMN

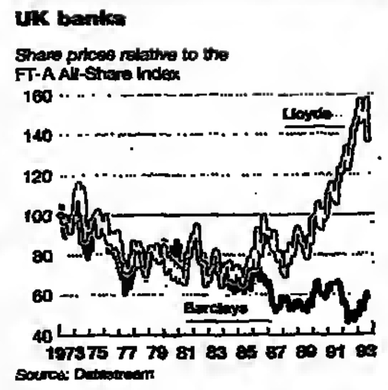
Better off at Barclays

Leaping out of knickers and into bank manager's trousers in one fluent movement is a difficult and potentially hazardous stunt. So if Mr Martin Taylor can manage it on his way from Courtaulds Textiles to Barclays, his track record will seem all the more impressive. Certainly, Barclays' new chief executive faces a formidable challenge. His most immediate concern must be that the pair of trousers he is heading for appear to be occupied already. It is commonly assumed that Mr Andrew Buxton's executive role will steadily wither, transforming him into a more conventional non-executive chairman. Mr Buxton, however, may have other ideas.

To the extent that the two men strike up a harmonious working relationship, that may not matter too much. In truth, few chairman in such large companies act in a purely non-executive capacity. Yet the test of such relationships and structures comes when they are put under strain. Mr Buxton will have to show uncommon flexibility of mind when Mr Taylor wants to sacrifice some of the sacred cows which the chairman has lived with for decades, especially as the process will not start until next year, by which time earnings will have improved further, the rights-issues-to-dividend-cut fiasco will be a fading memory and complacency will be creeping back. The position of other board members will then be crucial, and some of them have recently shown disturbing signs of pursuing their own agendas.

Perhaps the most difficult challenge facing Mr Taylor is transforming the culture of Barclays' retail branch network at a time when banks have broken their implicit lifetime employment pact with employees, and, judging by Barclays' margins, customers are being soaked for past management mistakes. If he can crack that issue Mr Taylor really will deserve his phenomenal reputation.

FT-SE Index: 3065.5 (-8.1)



Source: Datastream

France

Useful though its jobs package will be, the French government is not stimulating the economy as fast as investors would like. True, the reduction in payroll taxes, at a cost to the government of some FFr105bn ($17.82bn) over five years, will provide some impetus. But the more important, if politically explosive, issue of the high minimum wage has been skirted. Since the minimum wage has recently risen faster than average manufacturing wages, French workers have been priced out of jobs. Yet the rise in French unemployment to 11.6 per cent, may stem less from labour market rigidities than a sheer lack of demand. Here, the government is constrained from doing much because of budgetary pressures. But its continuing reluctance to cut interest rates hardly helps.

Still, investors appear remarkably sanguine, despite the government's refusal to move faster on interest rate cuts. Both equity and bond markets appear convinced that the economy will recover even if they remain uncertain about the timing. Moreover, the rise in the Paris bourse has lagged the fall in bond yields over the year. There may well be more headroom for equities once short-term rates fall. The huge quantities of cash held in French money market funds will then have nowhere else to go.

Willis Corroon

On an optimistic view of the insurance cycle, Willis Corroon is now more geared to the upturn than its rival Sedgwick. Following the acquisition of Noble Lowndes this week, around 25 per cent of the latter's revenue comes from benefits consulting – a business more likely to show steady growth than spectacular cyclical recovery. While Willis also has ambitions in consulting, its operations are proportionately smaller. On that basis Willis might now deserve the higher rating.

Despite yesterday's encouraging figures, though, it is too early to argue that all insurance markets have turned. The large rise in first-half profits was due to early insurance renewals. That hints at an equal measure of disappointment to come in the second half. Adjusting for this and the benefit of exchange rates, growth in insurance broking revenue was modest. The creditable underlying decline in expenses also owes something to history. Having acquired the US broker Corroon & Black in 1990, Willis still has room to cut costs. When that process comes to an end upward pressure on expenses will be more difficult to resist. Underwriting losses are a reminder that brokers have been no more successful at the business of insurance than insurers themselves.

These factors will barely dent the earnings recovery if US insurance premiums stage the kind of recovery seen in the mid-1980s. But with no sign of US rates hardening other than in specialist areas, that looks a distant hope. A price earnings ratio more than 20 times this years forecast earnings demands something more substantial.

ABB

Any company which swallows a $600m restructuring charge and continues to shed jobs at the rate of 1,000 a month may be presumed to be in a spot of trouble. But in Asea Brown Boveri's instance, quite the reverse may be the case. Although heavy capital goods markets have remained sickly throughout the western world, ABB continues to make progress. Flat pre-tax profits of $497m at the half-year represents a fine achievement when currency swings are taken into account. The restructuring charge will pull costs forward and depress profits for the year. But it will have little effect on ABB's ability to fund the dividend. *Shareholders are therefore* right not to blink.

Longer term, the restructuring programme will enable ABB to shift production from high to low-cost sites. This will enhance cost competitiveness and help ABB win new business in the promising markets of eastern Europe and the Far East. ABB is also making striking efforts to reduce manufacturing lead times and improve capital and labour productivity. More leaden-footed rivals, such as Siemens, can only stand and gawp.

That said, neither the Swedish or Swiss markets have been neglectful of the respective charms of Asea or Brown Boveri. Both shares have seemingly powered ahead of the anticipated upturn in the capital goods cycle. Yet those prepared to wait should reap full benefit when sales volumes and margins swing higher.

Barclays

Continued from Page 1

January 1. He becomes the youngest chief executive of a British commercial bank. Barclays did not disclose how much it would pay Mr Taylor.

He will be employed for two years initially and then on a rolling one-year contract.

Courtaulds Textiles appointed Mr Noel Jervis, director responsible for fabrics, as managing director. Sir Christopher Hogg, Mr Taylor's predecessor and now a non-executive director, will resume the chair in January.

Israel retaliates after bomb attack

Continued from Page 1

Damascus, which has thousands of troops stationed in the Bekaa valley, and which Israel blames for allowing the Hizbollah attack.

Israeli and Lebanese security officials issued conflicting accounts on the attack. Israel said seven soldiers had been killed and two wounded from the Golani brigade in a single bomb blast. The Lebanese version claimed that Hizbollah had exploded three bombs and fired machine guns against an Israeli foot patrol near the village of Shinin, killing eight soldiers and wounding four.

The Hizbollah raid was the most deadly since a 1988 suicide car bomb attack and it brought Israeli casualties in the zone this year to at least 16 dead and 29 wounded.

Yesterday's resurgence of violence came less than three weeks after a US-brokered ceasefire ended a devastating seven-day Israeli air and artillery bombardment of villages in southern Lebanon. The Israeli offensive, aimed at curbing Hizbollah rocket attacks against northern Israeli towns, left 130 dead, more than 600 wounded and 1,500 homes destroyed.

For years, Syria has allowed Hizbollah to mount attacks on Israeli forces inside Lebanon. Israel believes that Syria could prevent these attacks. It had hoped that the ceasefire agreement laid the ground for improved relations with Damascus and progress in peace talks which centre on an Israeli withdrawal from the Golan Heights in return for full peace with Syria. Those hopes may have been dashed by yesterday's attack.

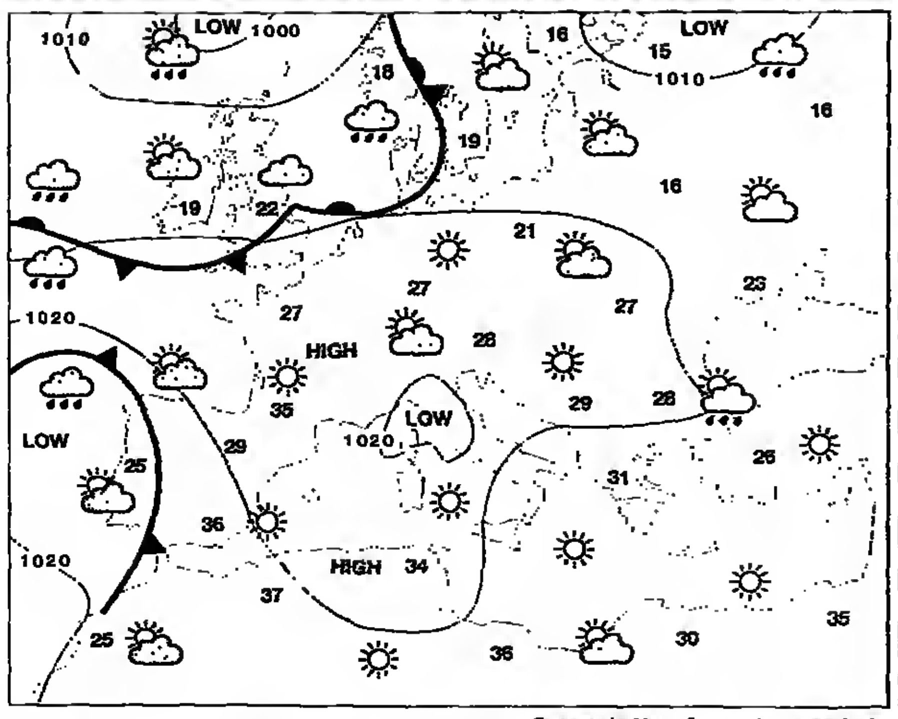
FT WORLD WEATHER

Europe today

Depressions will remain active over northern Europe. Conditions, therefore, will tend to be quite unsettled from the north Atlantic into Russia. There will be rain or showers over parts of the UK, south-west Norway and north-west Russia. Afternoon temperatures will stay rather low in northern Scandinavia. The Low Countries, Germany and Poland will have some cloud, but sunny intervals will prevail further south. Near the Mediterranean, temperatures will rise to tropical values again with exceptionally high afternoon readings over central Spain. Scattered showers may develop around the Black Sea.

Five-day forecast

Conditions will gradually deteriorate over western Europe. Cool air from the north Atlantic will flow south , meeting heat from southern parts of the continent. As a result, from Sunday, heavy showers and thunder will enter tha Low Countries and France. After the weekend, tha heavy showers will reach central and eastern Europe. Temperatures will drop significantly across North Sea countries.



Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	42
Accra	shower	28
Algiers	sun	36
Amsterdam	cloudy	22
Athens	sun	31
B. Aires	sun	17
B.ham	cloudy	25
Bangkok	thund	32
Barcelona	sun	31
Beijing	shower	29

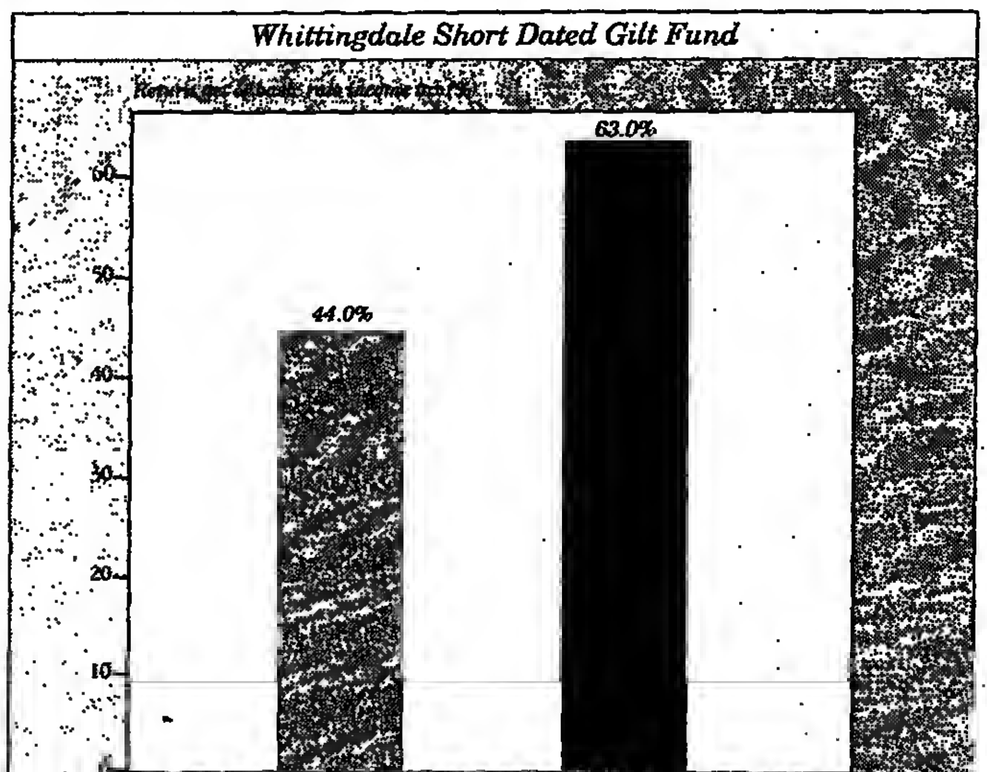
Belfast	cloudy	19
Belgrade	fair	29
Berlin	fair	23
Bermuda	shower	31
Bogota	shower	18
Bombay	shower	30
Bordeaux	sun	36
Brussels	fair	25
Budapest	fair	27
C.hagen	cloudy	19
Cairo	sun	35
Cape Town	sun	19

Caracas	sun	31
Chicago	fair	26
Cologne	fair	26
D' Salaam	shower	29
Dakar	fair	31
Dallas	sun	39
Darwin	fair	32
Delhi	sun	35
Dubai	sun	43
Dublin	shower	21
Dubrovnik	sun	31
Edinburgh	cloudy	20

Faro	sun	27
Frankfurt	fair	29
Geneva	sun	29
Glasgow	rain	18
Hamburg	cloudy	21
Helsinki	shower	16
Hong Kong	windy	31
Honolulu	sun	31
Isle of Man	shower	18
Istanbul	shower	26
Jersey	fair	27
Karachi	sun	32
Kuwait	sun	45
L. Angeles	sun	29
La Paz	shower	17
Las Palmas	sun	27
Lisbon	fair	27
London	cloudy	27
Lux.bourg	fair	27
Lyon	sun	31
Madeira	fair	27
Madrid	fair	40

Majorca	sun	35
Malta	sun	33
Manchester	rain	22
Manila	shower	30
Melbourne	fair	16
Mexico City	thund	23
Miami	fair	33
Milan	sun	34
Montreal	rain	22
Moscow	rain	14
Munich	sun	27
Nairobi	shower	22
Naples	sun	33
Nassau	thund	33
New York	fair	30
Nice	sun	28
Nicosia	sun	32
Oslo	fair	20
Paris	sun	29
Perth	fair	22
Prague	fair	25
Rangoon	shower	29

Reykjavik	shower	12
Rio	fair	25
Riyadh	sun	43
Rome	sun	30
S. Frsco	fair	22
Seoul	shower	27
Singapore	thund	31
Stockholm	fair	19
Strasbourg	fair	29
Sydney	sun	18
Tel Aviv	sun	31
Tokyo	cloudy	30
Toronto	fair	23
Tunis	sun	34
Vancouver	fair	24
Venice	sun	30
Vienna	sun	28
Warsaw	fair	21
Washington	shower	32
Wellington	shower	11
Winnipeg	sun	25
Zurich	sun	28



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FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

Paribas seeks closer retail banking links

Paribas, one of France's leading banking groups, plans to forge closer links between Banque Paribas and Crédit du Nord, its retail banking networks, through a commercial co-operation agreement. Page 14

Sony income drops 36%

Sony, the Japanese consumer electronics group, suffered a 36 per cent drop in first-quarter consolidated operating income to Y25.3bn ($248.3m) as a result of weak demand in its main markets and the strength of the yen. Page 15

Hutchison Whampoa in black

Hutchison Whampoa, Hong Kong's largest conglomerate, announced a strong turnround in interim earnings, with net profit of HK$2.52bn (US$325.2m) for the six months to June, compared with a loss of HK$76m in the same period in 1992. Page 15

Willis Corroon lifts profits

Willis Corroon, one of the UK's two largest insurance brokers, yesterday reported pre-tax profits up 17 per cent to £63.1m ($94m) in the six months to June 30. The dividend was reduced to 3.3p compared with 6.6p in the first six months last year. Page 17; Lex, Page 12

Competition hits Nat Power

National Power, the largest electricity generator in the UK, predicted its share of the power market will fall by 7 to 8 per cent to the low 30s over the next year because of stronger competition from nuclear and gas-fired power stations. Page 18

Wickes back to paying dividend

Wickes, the UK timber and DIY retailer which came close to collapse two years ago, returned to paying dividends after a two-year absence, on the back of interim pre-tax profits of £4.1m ($6.1m). Page 19

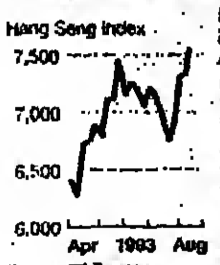
CIS offers on aluminium exports

The Commonwealth of Independent States has offered to halve its annual aluminium exports to the EC to about 300,000 tonnes, but European producers want imports to be restricted to 80,000 tonnes. Page 24

NZ dairy payout in doubt

A sharp fall in the prices on some international dairy markets in recent weeks is casting doubt on the New Zealand Dairy Board's ability to meet this season's target payout to farmers. Page 24

Hong Kong hits record high



Source: FT Graphite

Hong Kong's Hang Seng index registered its fifth consecutive record high, making it 38 per cent up on the year so far. Gone are the concerns over China's austerity measures and its stand-off with Mr Chris Patten, the governor of Hong Kong, over his constitutional blueprint for the colony. Page 32; Hang Seng Bank disappoints, Page 15

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				Sebaag	512	+	11
Rises				**Falls**			
Allianz	2505	+	30	Bancaire Cie	556	-	23
Schering	997	+	36	Eurafrance	1950	-	75
Falls				Lafarge Coppee	439	-	17.2
GEHE	405	-	13	Legrand	4830	-	108
Horten	211.5	-	6	**TOKYO (Yen)**			
Volkswagen	387.3	-	12.7	**Rises**			
NEW YORK ($)				Ishii Prod. Tl	751	+	80
Rises				Oriental Photo	682	+	101
Bristol Myers	57⅝	+	⅛	Ricoh	799	+	28
Delta	52⅝	+	¾	**Falls**			
Gen Motors	45⅜	+	1⅛	Mitsub C-Chi	1900	-	120
Merck	33⅝	+	¾	NEC	988	-	22
Falls				Nippon Lace	418	-	34
Gen Elec	97	-	1⅛				
McCaw	53⅞	-	1⅞				
PARIS (FFr)							
Rises							
Goodyear	421	+	15				

New York prices at 12.30.

LONDON (Pence)				Pson	69	+	13
Rises				Wickes	121	+	6
Aah	323	+	15	**Falls**			
Adscene	105	+	11	BritAerospace	454	-	14
Barbour Index	211.5	+	13	Cadiz m	72	-	10
Barclays	461	+	19	Courtaulds Txt	346	-	15
Bromsgrove	165	+	5	Euro Disney	535	-	20
Capita	158	+	9	First Leisure	228	-	6
Dagenham Mtrs	132	+	6	HSBC	724	-	40
Dawsongroup	303	+	60	Meyer	157	-	8
Jarrold	108	+	8	Standard Chrtd	984	-	25
NSM	125	+	11				
Prenchoff	302	+	11				

ABB to shed a further 7,000 staff

By Ian Rodger in Vienna

ASEA Brown Boveri, the world's largest power engineering group, has reported flat pre-tax profits of $497m for the first half and indicated that it sees little improvement for the rest of the year.

"Short-term growth prospects in western Europe have not improved. In North America, the beginning of an economic recovery has so far had only a marginal impact on ABB's range of products," the Swiss-Swedish group said.

In view of the depressed state of demand in Europe and North America, the group said it would accelerate its rationalisation programme, eliminating a further 7,000 jobs by the end of the year. New provisions of $500m would be made against 1993 earnings.

Since the spring of 1990, the group has eliminated 40,000 jobs. However, its total employment has risen from 213,000 at the end of last year to 216,000 because of acquisitions.

ABB said that a number of production and engineering plants in Europe and North America had been identified for closure or cuts but gave no details. A spokesman said the cuts would be made broadly across the group's divisions, with the exception of the power distribution division.

New orders were down 12 per cent to $15bn in the first half and the intake rate worsened in the second quarter.

The level of new orders for power plants and transportation equipment held up close to the previous year's levels, but those for other divisions dropped significantly, notably in the industrial plant sector, where they plunged 25 per cent to $2.24bn.

Group revenues were off 5 per cent in the first half to $13.1bn.

Barnevik: pre-tax profits would be the same as last year's

Excluding currency effects, however, they rose 2 per cent.

Operating earnings advanced 4 per cent to $937m, thanks to higher earnings in the power plant and financial services segments.

Profits before non-recurring items and taxes eased 2 per cent to $518m, but excluding currency effects were up 10 per cent.

Capital spending was cut to $332m in the first half from $373m in the same period of last year.

Investment declined in Europe where capacity reductions were needed, but continued to increase in eastern Europe and Asia, which the group has identified for strategic expansion.

ABB said order intake had begun to pick up in the second half and confirmed a forecast made by Mr Percy Barnevik, its chief executive, in March. Mr Barnevik said then that pre-tax profits for the full year, before non-recurring items, would be at about the same level as last year's $1.11bn.

Mannesmann falls into big losses

By David Waller in Frankfurt

MANNESMANN, the engineering group which has been a favourite with investors during the recent rally in the German stock market, yesterday reported a group net loss of DM467m ($271.5m) for the first six months of the year – a huge swing from a profit of DM15m in the first half of 1992.

The result was worse than expected and the share price dropped DM8.30 to close at DM333.20.

Mannesmann suffered losses in all divisions, hit by the combined effects of recession in Germany, the impact of a stronger D-Mark on group exports and the costs of rationalisation measures.

The group said that first-half losses were worst in its car components division and in its pipes and tubes activities, the group's traditional core business. In both cases, trading losses were compounded by restructuring costs. In addition weak sales and prices hit the machinery and industrial plant division.

Total group turnover rose fractionally from DM12.82bn to DM12.87bn in the six months, while orders dropped 6 per cent to DM14.1bn. The group predicted that turnover for the full year would reach the same level as last year, but orders would not.

Declaring that there was little evidence of improvement in business conditions, Mannesmann nevertheless sounded an optimistic note.

It said that rationalisation – which had not affected the interim figures – would permanently lower the group's break-even point without reducing the number of products on offer. In the year to June, the number of employees in the group had fallen from 142,827 to 131,164.

In a letter to shareholders Mr Werner Dieter, chief executive, expressed great confidence about the future of the D2 mobile telephone system, the first private network in Germany.

Development has cost the company DM4.5bn to date but Mannesmann said that the project was set to start making profits early next year. It already had nearly 300,000 subscribers, ahead of expectations.

Mannesman shares have outperformed the rising German stock market by 13 per cent since the beginning of June, reflecting investors' view of the group as a cyclical stock, with the added attraction of contribution. Mannesmann Mobilfunk, the mobile phones subsidiary.

Christopher Brown-Humes and Karen Fossli on the rise of a sector

A burst of light for banks in Nordic gloom

Judging by the extraordinary rise in Nordic banking shares this year, the market has decided the sector's financial crisis is over.

Euphoria based on the belief that Nordic banks are firmly on the road to recovery has lifted shares from the lows to which they sank last year. Bank shares have risen 270 per cent in Sweden, 185 per cent in Finland and 165 per cent in Norway.

Much of the buying has had a speculative flavour, yet recent developments have borne out the speculators' most fervent hopes.

- Skandinaviska Enskilda Banken, the region's largest commercial bank, withdrew its request for state support this week after a return to profit in the second quarter and a SKr5.3bn ($670m) rights issue.
- Yesterday Unitas, the Finnish banking group, said it too was launching a rights issue on the back of improved performance.
- Norway's two biggest banks, Den norske Bank (DnB) and Christiania Bank, reported a return to profit in the first half, with DnB saying it will not need a NKr600m ($82m) state guarantee.

The optimism has sprung from a dramatic improvement in earnings, rather than from a drying up of the credit losses – or debt write-offs – which have ravaged the sector. SE Banken's figures demonstrate this: its operating income before loan losses was up 58 per cent in the first half at SKr4.85bn.

The most important factor has been interest rates which now lie at their lowest levels for at least 10 years in all three countries.

This has enabled the banks to widen their margins, boosting net interest income. It has also prompted rallies in bond and share markets, enhancing the trading contribution.

Banks have helped themselves by restructuring. DnB, for example, claims to have cut costs by 40 per cent over five years, leading its president Mr Finn Hvistendahl to claim this week that he knew of "no other large bank which can point to similar cost effectiveness".

One worry is that some of the gains reported in the first half will prove to be of a one-off nature. This applies particularly to share, bond and foreign exchange income.

But a bigger cause of concern is the high level of credit losses. Even though lower interest rates should reduce the bruden on customers, most banks are being extremely cautious about predicting anything more than a modest drop in loan losses in 1993.

SE Banken, for instance, has warned that credit losses this year could reach SKr11bn, only slightly less than last year's SKr11.2bn. Its non-performing loan portfolio, though declining, still amounts to SKr22.5bn, or 7.4 per cent of total lending.

Even the two big Norwegian banks, the first in the region to enter crisis, reported largely unchanged credit loss levels at the half-way stage. DnB actually saw a slight increase in non-performing loans.

In Finland, where the structural economic problems are greater than in either Sweden or Norway, Kansallis-Osake-Pankki, the country's leading commercial bank, and Unitas expect to cut their losses this year. At KOP, credit losses increased to FM933m ($160m) in the first four months, against FM728m, and non-performing loans grew to FM8.2bn from FM7.1bn at the end of 1992.

"The worst is past in the Finnish banking sector but the crisis is not yet over," says Mr Roar Nilson, chief financial analyst with Arctos Securities in Helsinki. "Credit losses in the public sector, among personal customers and in domestically orientated companies can be expected to increase."

Most analysts believe the picture will start to change next year. In any banking recovery, there is always a time lag before non-performing loans begin to fall sharply and their conversion into bad debts tapers off. Hence some of the region's banks may not be back in profit until 1996.

And nervousness persists about the pace of economic recovery, although less so in oil-rich Norway than in either Sweden or Finland. But even those two are beginning to see the first signs of an export-led recovery and both should see at least a slight expansion of their economies next year, ending three consecutive years of decline.

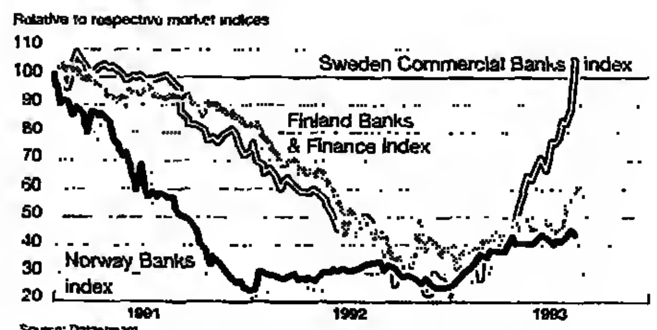
Governments are growing confident that the final bill for bailing out their financial systems will be less than they originally feared. Indeed, in Norway, the belief that the country's six-year banking crisis is nearly over has encouraged the state-backed Bank Insurance Fund to consider accelerating privatisation plans for DnB and Christiania Bank.

Sweden also has plans to return Gota Bank and Nordbanken to the private sector.

The key, though, to the privatisation of banks in the Nordic area will be evidence of sustained profitability. That, for all the euphoria of recent days, has still to be demonstrated.

Unitas rights, Page 14

Nordic banking



Source: Datastream

Sweden (SKr bn)		Net Non-performing loans	% of loans	Tier 1 capital	Tier 1 ratio%
SE Banken	1990	3.4	1.1	19.2	6.0
	1991	*9.6	3.0	19.8	6.7
	1992	*26.5	8.1	16.4	5.1
Svenska Handelsbanken	1990		0.3	12.4	6.2
	1991		1.9	17.1	7.6
	1992		5.8	16.7	6.8
Norway (NKr bn)					
Den norske Bank	1990	10.1	6.8	4.8	2.8
	1991	10.2	6.7	6.7	3.6
	1992	11.6	6.2	6.3	3.8
Christiania Bank	1990	6.0	5.9	2.6	2.1
	1991	7.2	8.3	2.0	2.0
	1992	5.9	7.1	2.8	3.0
Finland (FM bn)					
Kansallis-Osake-Pankki	1990	n.a.	n.a.	10.5	7.6
	1991	5.3	5.3	8.6	6.5
	1992	*7.6	7.5	7.6	5.8
Union Bank of Finland	1990	n.a.	n.a.	9.4	7.3
	1991	5.7	6.1	8.5	6.6
	1992	6.3	9.1	6.3	6.4

*Including re-negotiated loans **Loans in excess of Skr 1m

Source: Ibca *Not including STS-Bank's non-performing loans

Ericsson set to double profits as orders surge

By Christopher Brown-Humes in Stockholm

ERICSSON, the Swedish telecommunications group, expects profits at least to double in 1993 following a dramatic recovery in first-half net income to SKr1.28bn ($162m) from SKr59m.

The first-half result nearly equalled the SKr1.30bn profit which it recorded for the whole of last year and was made on the back of strong increases in orders and sales. All business areas increased income, the company said.

Orders for the period jumped 27 per cent to SKr34bn while sales rose 35 per cent to SKr27.4bn. About half of the increase in both figures was due to the depreciation of the Swedish krona. So far the group's income has only been marginally affected by the currency depreciation because of its hedging policy.

The group now has an order backlog of SKr46bn, up 33 per cent from mid-year 1992, after increasing its order intake for the last seven quarters.

The most spectacular growth has come from the group's radio communications division. This includes mobile telephones, which for the first time has overtaken public telecommunications to become the group's biggest revenue earner. Radio communications saw sales rise 75 per cent to SKr10.65bn in the first half, while public communications sales increased 15 per cent to SKr10.04bn.

"Deliveries of mobile telephones have never been as high as the level achieved during the first six months of 1993," Ericsson stated.

The group's largest market is Italy, which accounted for 12 per cent of sales, followed by the US, Sweden, Great Britain and China. China is the group's fastest growing market. Deliveries of public telecoms equipment there have doubled in a year.

Mr Lars Ramqvist, chief executive, said the company's extensive investment in technology provided the basis for continuing growth and justified the confident profits forecast.

Analysts suggested the prediction was still cautious, given the likely impact of the krona's depreciation on income in the latter part of the year. Mr Gunnar Andersson, analyst at Svenska Handelsbanken, said he anticipates full year profits of SKr3.4bn.

The company's B shares closed SKr2 lower at SKr376, still more than double the SKr186 level at which it started the year.

Glaxo awaits patent ruling

By Daniel Green in London

A DECISION in the lawsuit over the world's biggest selling drug, Zantac, may not be made until the end of the year, the drug's maker, Glaxo, said yesterday.

US District Court Judge Terrence Boyle, presiding in Elizabeth City, North Carolina, has retired to consider the evidence from 16 expert witnesses brought by Glaxo and Novopharm, a Canadian maker of generic (unbranded) drugs.

Sales of Zantac, an ulcer treatment, are worth about $3.5bn (£2.3bn) a year. If Novopharm won the case, it would be able to sell a generic version of Zantac from 1995. Mr Ian Smith, a drug sector analyst at broker Lehman Brothers in London, estimates that Glaxo would then lose $700m of revenue in the first year alone.

The case was brought by Glaxo after Novopharm sought government permission to make generic Zantac. Novopharm is challenging one of Glaxo's two main patents on ranitidine hydrochloride, the active ingredient in Zantac. It is arguing that a specific crystalline form of the drug, Form 2, is not sufficiently innovative to warrant a patent.

Novopharm says the two versions are chemically the same, but Glaxo says Form 1 has never been sold and Zantac is based on Form 2. A less specific patent for ranitidine hydrochloride runs out in 1995, but Form 2 is protected until 2002.

Over the past eight days Judge Boyle has heard eight witnesses from each company presenting legal and chemical arguments on the originality of Form 2.

The outcome of this case is likely to affect another being brought against Glaxo by a Canadian generics maker called Genpharm. That case is due to be heard in May 1994.

These companies are struggling over the future of a money-spinning drug at the peak of its earning power. Sales over the next few years are likely to fall and government pressure on the pricing of drugs generally remains high, especially in the world's biggest market, the US.

Zantac's arch-rival Tagamet, made by UK company SmithKline Beecham, comes off patent next year. Generic drug manufacturers are poised to launch a cut-price version. Zantac is also being challenged by a newer drug from Swedish company Astra.

Paribas strengthens retail banking network links

By Alice Rawsthorn in Paris

PARIBAS, one of France's leading banking groups, plans to forge closer links between Banque Paribas and Crédit du Nord, its retail banking networks, through a commercial co-operation agreement.

The agreement, which comes at a time when France's banks are trying to cut costs in order to counter the recession, involves the two networks collaborating in areas such as the sale of products to their customers, particularly to their corporate clients, and also in the development of information technology.

Mr André Lévy-Lang, chairman of the Paribas group, has been seeking synergies for some time between the two networks. He has however ruled out the possibility of a merger in order to retain separate identities for Banque Paribas, Credit du Nord and Compagnie Bancaire, the group's specialist finance unit.

Seeking synergies: André Lévy-Lang, Paribas chairman

Banque Paribas is one of the largest players in the French investment banking scene, with a network of 40 branches dealing mainly with corporate accounts and wealthy private clients. Crédit du Nord is a mainstream retail banking network with 540 branches.

Paribas said yesterday that the new agreement would only affect the 'behind the scenes' aspects of Paribas and Crédit du Nord. It said that the two networks had for the past three years been working more closely together. The agreement would formalise their collaboration.

The news of the new agreement reflects the intense financial pressure on France's retail banks, which have been badly affected by the impact of the recession on demand for credit and on the group's smaller corporate clients.

Paribas aims to sustain its recovery after returning to the black with a net profit of FFr886m in 1992 following its first loss in 1991.

Mr Lévy-Lang earlier this summer said conditions were still tough, but that the group should muster another increase in profits for 1993.

New chairman at Queens Moat

By Maggie Urry in London

MR STANLEY Metcalfe, former chairman and chief executive of Ranks Hovis McDougall, the UK foods group, is to become non-executive chairman of Queens Moat Houses after the hotel group's annual meeting next Thursday.

Mr John Bairstow, QMH's founder, resigned as chairman yesterday. QMH is continuing talks with its 65 banks over refinancing debts of £1bn ($1.5bn). Losses for 1992 have yet to be reported.

Mr Bairstow will not receive any compensation for leaving, in common with nine other directors of the group who have resigned since its shares were suspended in March.

He stepped down to the post of non-executive chairman last month, and said then he would resign once a new chairman was found.

Mr Bairstow will not have to attend the annual meeting. It will be chaired by Mr Andrew Coppell, who was made chief executive last month after being brought in as a consultant.

Mr Coppell said Mr Metcalfe was a man "with solid industrial experience and familiar with the disciplines required at QMH. He will make a significant contribution to the recovery of the group". Mr Metcalfe had the support of the group's main bankers, but would be a "champion for the shareholders".

Mr Metcalfe, who will work three days a week, was available following RHM's takeover by Tomkins, the industrial conglomerate, at the end of 1992. He had worked for RHM for the whole of his business career, but his lack of experience in hotels was thought yesterday not to be a problem.

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Turkey considers sale of bank holding

By John Murray-Brown in Ankara

THE Turkish government may sell its 40 per cent stake in Turkiye Isbankasi, Turkey's biggest commercial bank, in a deal worth around $400m at current stock market prices.

The treasury is looking at a possible global offering, or placing the shares with foreign or domestic institutions. Bank officials say they expect the treasury to announce details in the next few days.

Brokers expect big foreign interest, although the stake does not give control as the bank's own pension fund currently owns 41 per cent. Around 17 per cent of Isbankasi was floated on the Istanbul stock exchange last year.

Shares have jumped 20 per cent in the past few days. The bank reported profits of TL 543bn ($729m) in 1992.

The bank has 855 branches. It is divesting investments in an effort to bring capital adequacy ratios in line with international levels.

Unitas unveils plan for capital injections

By Christopher Brown-Humes

UNITAS, Finland's second-largest banking group, yesterday unveiled plans to strengthen its capital base by raising nearly FM1.5bn ($258m) in new equity, and up to a further $150m of preference capital from international markets.

It said the funds would enable it to withstand two more years of losses, and give it the capacity to expand lending when the Finnish economy recovered.

"If we are successful, we have every reason to believe that we will not fall into state hands," said Mr Markku Pohjola, the bank's senior vice-president.

The Finnish government said yesterday it had agreed in principle to guarantee new preference capital issues by both the Union Bank of Finland (part of Unitas) and Kansallis-Osake-Pankki, Finland's leading commercial bank. The KOP guarantee covers an issue of up to FM1.8bn and the UBF guarantee an issue of up to FM1bn.

Unitas says it aims to raise FM1.16bn through a one-for-three rights issue at FM10 per share, and a further FM300m through an issue open to both shareholders and non-shareholders.

The timing of the offers has been aided by evidence of recovery in the wider Nordic banking sector. This has helped Unitas' share price rise by more than 50 per cent, to FM20 in the last three weeks.

The group is being cautious about its prospects, saying it may not show a clear profit until 1996. However, it believes its 1993 loss will be lower than last year's FM2.7bn deficit, helped by a levelling off of credit losses and non-performing loans. In the first seven months of the year, its loss fell to FM923m from FM1.02bn.

The bank's capital adequacy ratio at the end of July stood at 11.1 per cent. However, it will rise to more than 13 per cent if its fund-raising plans are successful.

Company failures seen to fall 15%

By Andrew Jack in London

THE NUMBER of UK company failures will be 15 per cent lower this year than last, according to figures released yesterday by Trade Indemnity, the trade credit insurance company.

Next year's total will be a further 5 per cent below this year's, according to the company's estimates.

The estimates are based on reports from its 4,500 clients. In the first six months of this year, business failures were down 19 per cent on the same period of 1992.

Mr Vic Jacob, managing director, said: "It's nice to have soma bright comments. All of the major trends are in the right direction. I think it is almost three and a half years since we have been able to take a more positive view."

Trade Indemnity had not had to make any adjustments to underwriting provisions because of the fewer claims and failures.

The first-half results, which were released yesterday, showed gross claims from continuing operations down by a fifth to £51.4m.($76.6m)

Mr Jacob warned however that turnover was still static or even declining at many companies.

That sobering fact was highlighted in Trade Indemnity'a premium growth – which tends to rise with company turnover – of only 2.3 per cent to £71.3m. "So far our policyholders are not reporting increased expectations of turnover," he said.

Mr Jacob also said that a £1m provision, which was released because of the improving economic position in the UK, bad been offset by increased provisions of the same amount to allow for worsening trade conditions in the rest of Europe.

Net premiums written were unchanged at £26.4m and net claims fell to £24m (from £27.6m).

There were exceptional costs of £917,000 from the voluntary redundancy of about 40 staff earlier this year.

The company also showed a tax credit of £2.1m, from its total unused tax losses from past underwriting of more than £30m.

Historically, the rate of company failures continues to rise for 18 months after the beginning of economic recovery, partly as a result of over-trading.

Mr Jacob said that it was too early in the recovery to see these effects.

Premium income from the export cover division – which sells primarily to businesses in the Organisation of Economic Co-operation and Development – had risen by 20 per cent.

That partly reflected the recovery of sterling and the relative strength of British exporters.

Recovery at Den Danske Bank

By Margaret Dolley in Copenhagen

DEN DANSKE BANK, the largest Danish bank, reports pre-tax profits of DKr2.37bn ($344m) for the first six months of 1993, compared with DKr6m in the first half of 1992.

The turnround is almost entirely due to increased net interest income following a steep rise in international money market activity.

Earnings from net interest and fees rose 12 per cent, to DKr5.29bn, and there was a net valuation gain of DKr1.45bn on securities and other financial instruments, compared with a DKr199m loss in the first half of 1992.

The profit from core banking activities was also up, rising by more than 50 per cent to DKr919m. Both the Danish and international branch networks contributed to the improvements. Mr Knud Soensen, chief executive, described this as encouraging, hut not yet satisfactory considering Den Danske's substantial equity capital.

Income from traditional deposit-taking and fending rose only modestly. Operating expenses and depreciation were trimmed by 8 per cent, to DKr3.27bn, as the staff reduction programme started last year gathered pace.

Bad debt provision was increased to DKr1.41bn from DKr1.04bn. The bank said small- and medium-sized businesses were having a particularly difficult time, although personal customers were doing a little better.

Mr Soensen warned of lower profits in the current half, anticipating less activity on the money markets. Expenses were also likely to rise.

He said group profits would be particularly affected by the levels of bond and share prices at the end of year.

Canal Plus in TV move

CANAL Plus, the French media group, is expanding its television production interests by taking full control of Medialab, a Paris-based facilities house specialising in new technology, writes Alice Rawsthorn in Paris.

The deal follows weeks of uncertainty for Medialab as Videosystem, its parent company, has gone into receivership. It forms part of Canal Plus' strategy of diversifying its interests beyond its highly successful French pay-TV station.

Canal Plus, which already owns 38 per cent of the facilities house, has been negotiating since early this month to buy the rest of the shares.

Ferruzzis sell US interest for $47m

By Haig Simonian in Milan

ITALY'S Ferruzzi family, staggering under the financial problems of the Ferruzzi Finanziaria (Ferfin) holding company it controls, has sold a small Louisiana bank. The sale is the first of what may be numerous disposals to raise cash and cut borrowings.

Alerion Bank, based in New Orleans, has been acquired by Louisiana's Premier Bancorp for $47m. The deal will bolster the depleted coffers of the Ferruzzi family and provide a small, but welcome, cash injection into the debt-laden Ferfin holding company.

Although 75 per cent of the bank is owned by the Ferruzzi family, almost 25 per cent is held by a Ferfin subsidiary.

With total assets of about $340m, Alerion Bank is the fifth-biggest financial institution in New Orleans, with nine branches. Formerly called American Bank and Trust, it first attracted the attention of Mr Serafino Ferruzzi, the group's founder, in the late 1970s, when he took a stake. In 1988, the Ferruzzis bought full control.

Although agreed by the Ferruzzi family, the sale took place in consultation with the five-bank committee of leading creditors now guiding Ferfin. However, negotiations on a sale were believed to have been taking place well before the group's recent problems came to light.

Premier Bancorp, based in Baton Rouge, is the third-biggest banking group in Louisiana. It is controlled by the Ohio-based Banc One group, which has been expanding rapidly through acquisitions in recent years.

● Finmeccanica, the Italian state-controlled engineering group, is selling its DEA measuring equipment unit to Brown & Sharpe, the US measuring instruments maker, in return for a 30 per cent stake in the US company.

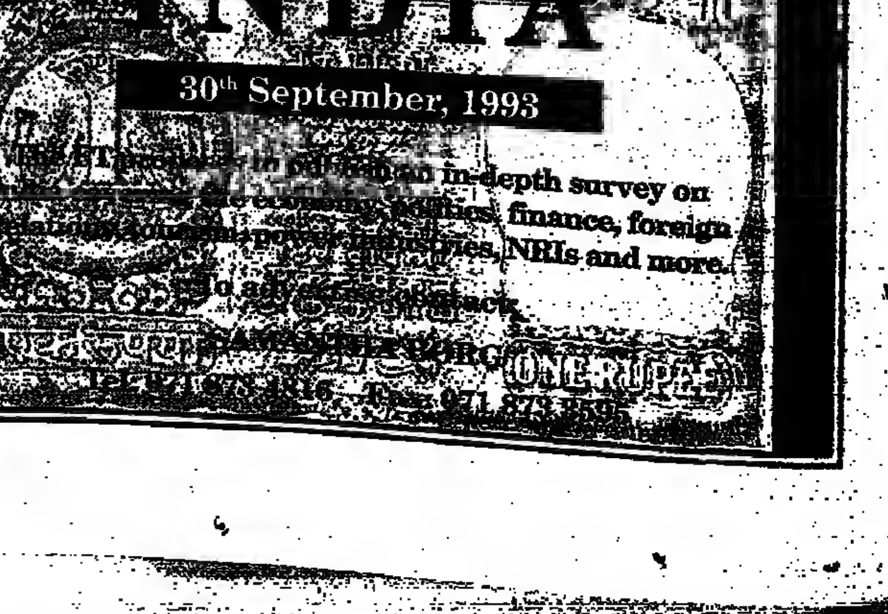
Corrections

Philips

Philips of the Netherlands expects its consumer electronics business to break even during 1994, and not this year as wrongly stated yesterday.

Australian Provincial

Australian Provincial Newspapers is 25 per cent-owned by Independent Newspapers of Ireland, and not 15 per cent by Independent Newspapers of the UK as wrongly stated yesterday.



Hutchison Whampoa back in black with HK$2.52bn

By Simon Davies in Hong Kong

HUTCHISON Whampoa, Hong Kong's largest conglomerate, yesterday announced a strong turnround in interim earnings, with net profit of HK$2.52bn (US$325.2m) for the six months to June, compared with a loss of HK$76m in the same period in 1992.

The greatest impetus for the increase was the performance of 49 per cent-owned Canadian oil and gas company Husky, which suffered substantial losses during 1992 and forced a provision of HK$1.42bn at the interim stage. Mr Li Ka-shing, chairman, said Husky contributed a profit in the first half of 1993.

The group's core businesses also performed strongly. Turnover rose to HK$11.52bn and operating profit was up 22 per cent to HK$2.47bn.

Hong Kong International Terminals, the 61 per cent-owned port operator, saw a 22 per cent increase in container throughput during the period, and profits were boosted by lower interest and depreciation charges. Hutchison's port operations in Zhuhai, in China's Pearl River delta, and Felixstowe, in the UK, also reported profit increases.

There were strong contributions from property sales, particularly from the group's 50 per cent-owned South Horizons development.

The group's telecommunications ambitions continued to sap earnings. Mr Li said: "Losses incurred by the group's overseas telecommunications interests have offset to a large extent the profits generated by the group's successful telecommunications businesses in Hong Kong."

The company is expected to make provisions of around HK$600m against its loss-making Rabbit CT2 telepoint business in the UK during the second half of the year. However, this will be offset by an extraordinary profit of HK$1.5bn from Hutchison's recent sale of 32 per cent of its stake in Star Television.

Mr Li said Hutchison would continue to expand into China, despite the current austerity programme. "The group is well-positioned to participate in suitable property, power plant, container terminal and retail projects in China, which reflect the group's expertise in its existing core businesses," he said.

The directors declared an interim dividend of 19 cents a share, compared with 16 cents a share in 1992.

Cheung Kong soars in first half

By Simon Davies

CHEUNG KONG, the flagship of Mr Li Ka-shing's listed Hong Kong empire, announced net profit of HK$4.53bn ($591m) for the six months to June 1993; almost double the 1992 figure of HK$2.35bn.

The results exceeded stock market expectations, primarily as a result of an exceptional profit of HK$708m on the 220m covered warrants issued by Cheung Kong in 1991 against its holding in Hutchison Whampoa.

The company also benefited from a substantial increase in profits from associated companies, which contributed HK$3.28bn, compared with HK$306m in 1992.

That reflected the turnaround of 42 per cent-owned Hutchison Whampoa, as well as contributions from a number of partly-owned property developments, which included Kingswood Villas and Laguna City.

Cheung Kong took significant steps to build up its diminishing Hong Kong land bank during the first half of the year.

It finalised agreements to develop a 162,000 sq metre luxury housing estate with the Pacific Concord Group, and a 209,150 sq metre commercial and residential project with Mainland group China Resources.

Mr Li predicted that Hong Kong property prices, which have risen steeply this year, would stabilise in the second half of 1993, but that sales levels would remain high.

The directors announced an interim dividend of 24 cents a share, up from 20 cents a share in 1992.

Hang Seng Bank disappoints

By Simon Davies

HANG SENG Bank, the Hong Kong banking subsidiary of HSBC, disappointed market expectations yesterday by announcing a 17.5 per cent rise in first-half net profit to HK$2.75bn (US$354.8m), up from HK$2.34bn in 1992.

The figures included a HK$258.9m exceptional profit from the sale of Wing On Bank.

Excluding this one-off profit, net earnings grew by only 6 per cent. However, the bank would not say whether the figures included any provision against its exposure to Olympia and York, the troubled Canadian property company.

HSBC Holdings operates the largest retail banking presence in Hong Kong, and owns 61.5 per cent of Hang Seng.

Hang Seng's earnings were significantly below analysts' forecasts, but they reflect slower loan growth in Hong Kong and increasing competition for deposits.

One analyst said: "It has been bankers' heaven in Hong Kong for the past two years. We are finally returning to a more normal banking environment." Last year, net interest margins reached peak levels.

Hang Seng Bank has a negative outlook for earnings in the near-term future, as a result of its forecast of a slow economic recovery in the US and Europe, and the impact on Hong Kong of China's austerity measures.

"The impact under this scenario would likely be felt towards the latter part of the year and possibly in 1994, leading to further slackening in exports, investment and domestic spending," the company said in its official statement.

The directors recommended an interim dividend of 50 cents a share, a 16 per cent increase from the 43 cent payout in 1992.

Sony profit drops 36% in first quarter

By Michiyo Nakamoto in Tokyo

SONY, the consumer electronics group, suffered a 36 per cent drop in first-quarter consolidated operating income to Y35.3bn ($249.3m) as a result of weak demand in its main markets and the strength of the yen.

The company blamed slow demand for most of its main products, from camcorders, to televisions in major markets, particularly Europe and Japan, as well as the rapid appreciation of the yen against the US dollar which reduced sharply its overseas revenues.

Sony's disappointing performance came as sales fell 10 per cent to Y828.7bn from Y924.4bn. Net income was almost halved to Y7.7bn from Y14.8bn.

However, income before taxes rose 31 per cent to Y38.6bn from Y29.5bn, largely as a result of a foreign exchange gain of Y20.4bn.

Sony revised its forecast for the year to March 1994 in view of the persistent weakness of demand and the rapid rise of the yen. Consolidated sales are forecast to fall 7 per cent to Y3,720bn compared with a previous forecast of sales 2 per cent lower at Y3,910bn. The forecast for pre-tax profits was unchanged at Y87bn, or 6 per cent down on the previous year.

On a parent company basis, Sony forecasts a 6 per cent fall in sales to Y1,760bn and a 30 per cent decline in pre-tax profits to Y32bn.

Operating profits, however, are forecast to rise 29 per cent to Y2bn, in part as a result of cost-cutting measures. Sony's cost of sales in the first quarter were down nearly 10 per cent from Y663.5bn to Y598.4bn.

The company plans to increase the ratio of products manufactured outside of Japan for sale in overseas markets from the current 35 per cent to 50 per cent by about 1997.

In product areas, Sony was particularly hit by depressed demand for audio-visual equipment, including camcorders and CD players. The Japanese market is seeing its fourth year of decline in demand for audio-visual products.

Sony Pictures, meanwhile, suffered a 16 per cent fall in sales in local currency terms due to a lack of box-office hits.

Texas Instruments plans $1bn plant

By Louise Kehoe in San Francisco

TEXAS INSTRUMENTS yesterday announced plans to build one of the world's largest semiconductor plants in Dallas, Texas. Construction will begin this year. The plant is expected to cost between $750m (£506m) and $1bn during the next five years.

TI is the fourth US chip maker to announce plans for big new plants this year.

In April, Intel, the world's largest chipmaker, said that it would build a $1bn addition to its factory in New Mexico.

Advanced Micro Devices followed in July, saying its next plant, to be built in Texas, would cost between $750m and $1bn. Motorola is putting a $1bn investment into a Texas plant that will combine research and production.

These investments reflect booming demand for semiconductor chips. Worldwide sales are expected to increase by more than 20 per cent this year to about $80bn.

They also signal the rising strength of US manufacturers. Japanese semiconductor producers, who outspent their US competitors in the 1980s, have now been overtaken by US producers.

US semiconductor industry capital expenditures are projected to increase by 37 per cent to more than $5.5bn this year, according to Integrated Circuit Engineering, a US market research firm.

Japanese companies plan to spend $4.2bn on new plants and equipment, an increase of 2 per cent on last year.

Capital spending by the European semiconductor industry is expected to total about $1.1bn, up 6 per cent.

The cost of new semiconductor production plants has escalated during the past few years, total costs rising from about $250m in 1990 to nearly $1bn today.

Much of the increase is due to more sophisticated production equipment.

Only the world's largest semiconductor producers can now afford to keep pace. By the end of the century there may be fewer than a dozen state-of-the-art chip factories in the world, industry executives predict.

Texas Instruments' expansion plans are typical. The company's new Dallas facility will be built in two phases, construction of the first phase beginning immediately, followed by an expansion that will more than double the size of the plant.

When it reaches full production in 1996, the plant will employ about 550 people, TI said. The new plant will eventually produce chips as small as 0.12microns, or 800 times smaller than the diameter of a human hair – about one quarter the size of today's most advanced chips.

Cosmo in partial suspension

By Emiko Terazono in Tokyo

JAPAN'S ministry of finance yesterday disciplined Cosmo Securities, a second tier broker which faces extraordinary losses of Y69.8bn ($682m), by ordering a suspension of corporate business operations.

The company announced last week it had a negative net worth of Y7.1bn due to losses stemming from *tobashi* deals, where clients' accounts are shuffled to hide unrealised losses. Daiwa Bank will rescue Cosmo by a share purchase, becoming the country's first bank to hold a stockbroking subsidiary.

The ministry ordered that Cosmo suspend operations of certain corporate businesses from next Monday to September 3. Cosmo announced a pay cut for its executives for three months from September. Mr Hiroshi Nakano, Cosmo's president, takes a 30 per cent cut. Other board members face cuts of between 15 and 20 per cent.

The ministry of finance is investigating the country's 48 brokers for other concealed cases of irregular dealings. Officials claim that Cosmo was unrepresentative, but analysts believe more cases may be uncovered.

The scale of the problems confronting the Japanese brokerage industry was highlighted yesterday as Yamaichi Securities said it was considering a rescue of Yamaichi Finance, an ailing non-bank finance affiliate. Yamaichi's bailout will follow Nomura Securities, which last month announced a restructuring of its property lending affiliate, and Daiwa Securities, whose finance affiliates hold mounting bad loans.

Most Japanese brokerages set up non-bank financial affiliates during the late 1980s, extending loans on stock and land collateral. Many loans have turned bad as a result of plunging land and stock prices. That has also eroded the collateral at the finance companies.

Some Y180bn of Yamaichi Finance's Y370bn loan portfolio is seen as non-performing, and the company's unrealised losses of its collateral totals about Y80bn.

Marriott to push ahead with demerger plan

By Nikki Tait in New York

MARRIOTT Corporation has received acceptances from holders of about 80 per cent of the senior notes and debentures subject to an exchange offer related to a controversial plan to spin off its hotel management operations. The offer is being extended from August 17 to August 20.

The company said it would go ahead with the demerger scheme next month, regardless of whether the offer was consummated.

● Procter & Gamble, the US consumer products giant, plans to sell Maryland Club Foods, a Houston-based coffee business.

NEWS DIGEST

ERA passes annual payout

RESOURCES of Australia (ERA), the uranium miner, has passed the annual dividend to conserve funds for future mine development, despite a 49 per cent rise in profits for the year to June, writes Bruce Jacques in Sydney.

The company yesterday announced net earnings of A$57.7m (US$38.9m), up from A$38.7m on revenues 3.4 per cent lower at A$177.6m from A$183.9m. The dividend last year was 4 cents a share.

Directors said cash flow would continue to be used to cut debt in preparation for development of a new mine, probably the Jabiluka deposit bought recently from Pancontinental Mining. ERA repaid A$58.9m of transferable loan certificates in the year, cutting net debt to A$122.8m.

The result followed interest expense of A$4.1m, against A$4.6m, and depreciation of A$15.1m against A$29.3m.

Goldman Sachs to evaluate Sidbec

THE Quebec government has retained Goldman Sachs, the New York investment bank, to help evaluate Sidbec-Dosco, a steelmaker with about 1.5m tonnes annual capacity that it indirectly owns, writes Robert Gibbens in Montreal.

The government has been trying to privatise Sidbec for several years, but the company has been losing money because of the recession. Its basic steel plant near Montreal is modern but the rolling and finishing operations need more investment.

CAI Capital, an investment firm headed by Mr David Culver, retired chairman of Alcan Aluminium, jointly with a union investment fund has made a tentative bid for Sidbec. The government says the private sector can run Sidbec best, but any buyer must provide for new investment.

Air Canada offer to block reshape

CANADIAN AIRLINES claims Air Canada's C$200m cash offer for its international routes is intended to block a key August 27 vote on Canadian's financial restructuring, writes Robert Gibbens.

Mr Rhys Eyton, chairman of Canadian and its parent PWA, said the timing of this week's offer, which includes assumption of C$800m (US$625m) in debt and aircraft lease obligations, comes a week before debenture holders and shareholders of Canadian vote on the restructuring.

Three foreign banks have raised objections to the plan and Mr Eyton acknowledged that Air Canada's offer might sway some creditors.

American Airlines's C$246m cash infusion depends on creditors' acceptance and Canadian's exit from the Gemini reservation system. The Gemini issue is before the courts, but a new Canadian offer of C$21.5m to withdraw and join American's Sable system has been rejected by Gemini.

Air Canada says Canadian cannot withdraw under its contract until 1999.

US Treasuries reach new highs on surprise trade data

By Patrick Harverson in New York and Sara Webb in London

AN UNEXPECTEDLY wide June trade deficit and strong demand for longer-dated securities pushed US Treasury prices to new highs yesterday morning.

GOVERNMENT BONDS

By midday, the benchmark 30-year government bond was up 3/4 at 100 15/32, yielding 6.224 per cent. At the short end of the market, the two-year note was 1/8 firmer at 100 1/32, to yield 3.912 per cent.

Technical factors, including a shortage of 30-year bonds which was squeezing prices higher, continued to sustain the long end of the market. Bonds were also aided by strong demand from investors seeking longer duration on their portfolios.

The day's economic news, a widening in the merchandise trade deficit for June to $12.1bn, up from $8.4bn, was also bullish for market sentiment.

The deficit, the widest since October 1987, was primarily the result of a sharp fall in exports, and indicated that the economy continues to weaken.

Analysts said the deficit data suggested that second quarter real gross domestic product growth would have to be revised downward.

■ JAPANESE government bonds were sold off sharply in London trading as the yen slid against the US dollar, dampening any hopes of a cut in Japanese interest rates.

The Japanese government bond market closed lower in Tokyo, and then continued to tumble in London trading.

The yield on the benchmark No 145, which started the day at 4.095 per cent in Tokyo, closed at 4.125 per cent in Japan and then rose further in London to 4.19 per cent.

Mr Yasushi Mieno, governor of the Bank of Japan, emphasised on Wednesday that there were no plans to cut the Official Discount Rate. However, any remaining hopes of an easing evaporated in the course of yesterday as the yen weakened against the US currency and many investors decided to take profits.

There had already been rumours that a big Middle Eastern investor was selling Japanese government bonds, which depressed the market, but dealers said the selling pressure became more intense as the US Federal Reserve bought dollars against the yen.

■ ATTENTION in the European government bond markets focused largely on Germany and the Bundesbank's much-awaited announcement of the M3 money supply figures.

German M3 money supply grew at an annualised rate of 7.5 per cent in July, against 7.0 per cent in June.

Although the July figure was well outside the Bundesbank's stated target range of 4.5 to 6.5 per cent, it was below market expectations and the bund market initially greeted the news with a sigh of relief.

Economists had forecast a high M3 money supply figure for July on the grounds that it would be distorted by the recent intervention related to the crisis in the European exchange rate mechanism at the end of July.

However, the market subsequently sold off when the Bundesbank said that the effects of intervention would appear in next month's money supply figures instead.

As a result, the market's hopes of an interest rate cut at the Bundesbank council meeting next Thursday were severely dampened.

The Liffe bund futures contract slipped from Wednesday's close of 97.22 to end at around 97.17 yesterday, having traded to a 97.34 high.

■ UK government bonds fell up to 3/8 of a point at the long end as investors took profits after the market's substantial rally. Dealers said the market is still mulling over comments made by Mr Michael Portillo on Wednesday, which appeared to rule out the chance of an imminent cut in the base rate.

FT FIXED INTEREST INDICES

	Aug 19	Aug 18	Aug 17	Aug 16	Aug 13	Year ago	High *	Low *
Govt Secs (UK)	102.07	102.38	102.31	102.10	101.93	89.59	102.38	93.28
Fixed Interest	124.51	124.54	124.23	123.81	122.86	105.28	124.54	108.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 124.54 (18/8/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Aug 18	Aug 17	Aug 16	Aug 13	Aug 12
Gilt Edged Bargains	110.9	103.5	99.8	117.4	132.1
5-Day average	112.7	118.8	121.8	126.4	130.8

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	119.1115	+0.478	6.83	6.83	7.08
BELGIUM		8.000	03/03	113.0000	+0.050	7.08	7.08	7.01
CANADA *		7.500	12/03	103.9850	+0.450	6.95	7.03	7.11
DENMARK		8.000	05/03	109.0000	+0.150	6.71	6.69	7.10
FRANCE	BTAN	8.000	05/98	108.8769	+0.038	5.78	6.66	6.16
	OAT	8.500	04/03	115.2300	+0.070	6.34	6.30	6.72
GERMANY		8.500	07/03	101.2750	+0.040	6.32	6.31	6.53
ITALY		11.500	03/03	109.2950	-0.805	10.21†	10.08	11.00
JAPAN	No 119	4.800	06/99	104.6263	-0.302	3.83	3.72	4.01
	No 157	4.500	06/03	102.0175	-0.036	4.21	4.17	4.21
NETHERLANDS		7.000	02/03	105.8200	+0.280	6.18	6.17	6.33
SPAIN		10.300	06/02	105.3500	-0.160	9.37	9.46	10.23
UK GILTS		7.250	03/98	103-13	-7/32	6.38	6.31	6.71
		8.000	06/03	107-16	-16/32	6.93	6.95	7.42
		9.000	10/08	115-02	-18/32	7.35	7.39	7.82
US TREASURY *		5.750	08/03	100-19	+2/32	5.67	5.75	5.73
		6.250	08/23	100-11	+12/32	6.22	6.41	6.56
ECU (French Govt)		8.000	04/03	108.2300	+0.020	6.80	6.84	7.24

London closing. *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents). Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Bulis to be made more attractive by Bundesbank

By David Waller in Frankfurt

THE Bundesbank yesterday announced reforms to the bidding arrangements for Bulis – short-term money market instruments introduced earlier this year in an attempt to soak up excess liquidity created by the relaxation of minimum reserve requirements for bank lending.

The reforms are designed to make the new instruments more effective in mopping up liquidity outside the banking sector. The German central bank, which yesterday launched a new DM8.5bn tranche of "Bulis", said it was dissatisfied because the bulk of the DM24bn of Bulis issued so far had been taken up by banks and foreign institutions.

Under the reforms, non-banks – a category which embraces industrial corporations as well as insurance companies – will be able to bid for the new securities direct through the Landeszentralbanken, the Bundesbank's regional branch network. They will no longer be obliged to buy the securities through banks.

The minimum denomination is being raised from DM100,000 to DM500,000. Mr Johann Wilhelm Gaddum, a Bundesbank director, explained that this was designed to make the instruments more attractive to non-banks which had held back out of fear of competing with private investors.

He said that only 10 per cent of the Bulis issued so far had ended up in the non-bank sector, while foreign investors – including central banks – held just over 50 per cent and the banking community the rest. This was disappointing because a central reason for introducing the Bulis was to give the Bundesbank a degree of direct control over liquidity outside the banking sector.

"The aim is to strengthen Bulis as an instrument of monetary policy," Mr Gaddum said. This reflects the central bank's concerns about growth in money supply growth, regarded as a determinant of future inflation.

Economists said the move could strengthen German money-markets, which are underdeveloped by the standards of other financial centres as the availability of short-term money-market instruments is limited.

The new Bulis will be issued in two tranches with maturities of three and six months, replacing Bulis maturing on September 3. The terms will be set by the tender. The Bundesbank said it intends to replace all Bulis maturing from December onwards with regular six-month maturities.

Borrowers move early to beat the September rush

By Antonia Sharpe

THE international bond market was active yesterday as borrowers sought to beat the traditional rush for funds at the start of September.

INTERNATIONAL BONDS

Syndicate managers said they expected further offerings in the coming week since many borrowers were asking banks to bid for mandates. "The markets are in great shape and investor demand is good," said one syndicate manager.

Yesterday's offerings came in a variety of currencies. The Bank for Dutch Municipalities raised Fl 1bn in two equal tranches, one with a seven-year maturity which appealed more to international investors, and the other with a 15-year maturity which was aimed at the domestic market.

Lead manager ABN Amro Bank said that the issuer had chosen those maturities because the 10-year area of the yield curve was out of favour with investors.

Foreign borrowers are not expected to tap the Dutch market in the near future because of the lack of opportunities to swap the proceeds into other currencies.

SNCF, the French state railway, established a new benchmark in the French bond market with its FFr3bn, 20-year issue. An official at the lead manager, Société Générale, said investor demand for long-dated bonds enabled SNCF to achieve favourable terms.

The issue's relatively tight pricing was offset by the generous discount. Many French long-dated bonds are trading at a substantial premium.

SNCF's bonds, which have a coupon of 6¾ per cent, were priced to yield 18 basis points above the 8½ per cent French government OAT bond due December 2012. When the bonds were freed to trade, the spread tightened slightly.

Another large issue was launched in the sterling market as Woolwich Building Society raised £200m through an offering of five-year Eurobonds. The five-year area is seen to be the cheapest part of the yield curve for borrowers.

CSFB, the lead manager, said there was a lot of demand for the bonds outside the UK. The bonds were priced to yield 65 basis points over the 7¾ per cent UK government bond due 1998. When the bonds were freed to trade they were quoted at 99.47, below their re-offer price of 99.57, reflecting the weaker UK market.

Sweden raised L200bn through an issue of 10-year Eurobonds, encouraged by the success of Rabobank's Eurolira offering on Wednesday. Sweden's deal was more generous than the Dutch bank's, reflecting its lower credit rating. The proceeds of the deal were understood to have been swapped into floating-rate lire.

Halifax Building Society made its first public offering in the Swiss franc market, raising SFr150m through an issue of five-year bonds. The bonds were quoted at less 1.75 bid, from an issue price of 102.3. The Halifax said the proceeds had been swapped into sterling.

Banca Nazionale del Lavoro chose the dollar sector for its first Eurobond offering since 1990.

Moody's, the US credit rating agency, took the bank off its Creditwatch list last week and affirmed the bank's rating of A2.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Lavoro Bank O'seas, Nethe.‡	100	(a)	99.36R	Sep.1998	0.25R		Morgan Stanley Intl.
Anacafe, Guatemala(b)	60	11¼	100R	Aug.1998	undisd.		VestcorPartners, Miami
STERLING							
Woolwich Building Society	200	7	99.57R	Sep.1998	0.35R	+65 (7¾%-98)	CSFB
CEPME, France(c)	30	8.5	99.02R	undated	undisd.	+160 (8¾%-03)	Hoare Govett Corp. Fin.
FRENCH FRANCS							
SNCF	3bn	6.75	96.83R	Sep.2013	0.5R	+18 (8½%-12)	Société Générale
GUILDERS							
Bank for Dutch Municipalities	500	6.75	99.65R	Sep.2008	0.3R	+25.8 (d)	ABN Amro Bank
Bank for Dutch Municipalities	500	6.25	99.7R	Sep.2000	0.2R	+25.6(6%-00)	ABN Amro Bank
ITALIAN LIRA							
Kingdom of Sweden(e)	200bn	9.125	100R	Sep.2003	0.325R		Banca di Roma
NEW ZEALAND DOLLARS							
Telecom Corp. of NZ Finance	75	6.5	100.3	Sep.2000	2		Hambros Bank
SWISS FRANCS							
Halifax Building Society	150	4.5	102.3	Sep.1998	-		UBS
Bayerische Hypobank(f)‡	150	3	100	Oct.2002	-		Swiss Bank Corp.

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ♦Private placement. ‡With equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Coupon pays 3-month Libor + 0.5%. b) Amortising notes. Average life: 4 years. c) Subordinated bonds. Callable at par on 16/9/03 and every 5 years thereafter. If any call is not exercised coupon will be reset at spread of 240bp over prevailing 5-year gilt. d) Spread is over the 6¾% Dutch State bond due September 2007. e) Callable at par on 16/9/95 and annually thereafter. f) Denom: SFr10,000 + 300 3-year warrants to ordinary shares in Veba. Fixing: 23/8/93.

Novel D-Mark warrants on Portuguese bonds set

By Tracy Corrigan

BANKERS Trust yesterday launched the first offering of warrants on Portuguese government bonds hedged into D-Marks.

The 2m warrants were targeted primarily at German, Swiss and French-based investors. Despite strong demand for high-yielding European bonds, many investors have been deterred from buying Portuguese paper because of the foreign exchange risk. The structure of the warrants, known as "quanto" warrants, means that there is no exposure to the escudo, since the warrants are hedged into D-Marks at a rate of Es102.12.

Many investors are also wary of the Portuguese bond market's illiquidity, having suffered heavy losses in last summer's currency turbulence. Warrants allow investors to participate in the market at a limited cost.

The call warrants cost DM3.75 each and give holders the right to buy the 11⅞ per cent OT (Portuguese government bond) due April 2000 at a set price of 109.95. The warrants can be exercised only on one day, May 19 1994.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	2	74	5
Other Fixed Interest	0	6	9
Commercial, Industrial	454	227	741
Financial & Property	146	213	455
Oil & Gas	18	21	42
Plantations	0	0	8
Mines	45	27	62
Others	25	61	38
Totals	690	629	1,360

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+or-
5	Nil	25/8	½pm	½pm	Alliance Res.	½pm	
40	Nil	13/9	11½pm	2pm	Bardon	7pm	-1¼
10	Nil	20/8	5½pm	2½pm	Britton	5½pm	
10	Nil	27/9	2½pm	1pm	Business Technology	2pm	
75	Nil	3/9	20pm	3pm	Cussins Property	20pm	
8	Nil	1/9	3½pm	2½pm	‡Northumbrian Foods	3pm	
165	Nil	28/9	24pm	18pm	Sedgwick	22pm	-1
240	Nil	27/9	40pm	33pm	TT Group	33pm	-1
10½	Nil	27/9	1½pm	1pm	‡Villiers	1pm	

pm Price at a premium. † Price offered to public.
For other notes please refer to the Guide to the London Share Service.

TRADITIONAL OPTIONS

- First Dealings Aug. 9
- Last Dealings Aug. 20
- Last Declarations Nov. 11
- For settlement Nov. 22

3-month call rate indications are shown in Saturday editions.

Calls in Aminex, Arcon Intl. Res., Arlen, BET, Ferranti, Kunick, Norman Hay, Marshalls, Navan Res., Sharelink, Sherwood Computer and Vistec. Puts in British Aerospace and Norman Hay. Doubles in Ferranti, Navan Res. and Shandwick.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

August 19 Total Contracts 46,385
Calls 24,617 Puts 21,778
FT-SE Index Calls 8,280 Puts 7,473
Euro FT-SE Calls 2,514 Puts 2,989
*Underlying security price. †Long dated expiry months.
Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Thu Aug 19	Day's change %	Wed Aug 18	Accrued Interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (25)	128.92	-0.09	129.04	1.76	7.40
2	5-15 years (23)	155.37	-0.38	155.97	1.92	8.59
3	Over 15 years (9)	174.37	-0.85	175.83	1.56	7.82
4	Irredeemables (6)	205.51	-0.35	206.24	3.21	7.35
5	All stocks (63)	150.93	-0.33	151.52	1.82	8.13
	Index-Linked					
6	Up to 5 years (2)	185.96		185.97	0.33	3.41
7	Over 5 years (11)	180.78	-0.08	180.92	0.64	3.42
8	All stocks (13)	180.43	-0.07	180.56	0.60	3.41
9	Debs & Loans (65)	143.03	-0.20	143.32	1.76	7.62

AVERAGE GROSS REDEMPTION YIELDS

			Thu Aug 19	Wed Aug 18	Year ago (approx)
	British Government				
1	Low	5 years	6.44	6.39	8.61
2	Coupons	15 years	7.15	7.09	8.55
3	(0%-7¾%)	20 years	7.26	7.21	8.65
4	Medium	5 years	6.53	6.47	9.42
5	Coupons	15 years	7.30	7.24	9.04
6	(8%-10¾%)	20 years	7.37	7.32	8.97
7	High	5 years	6.74	6.67	9.55
8	Coupons	15 years	7.53	7.46	9.24
9	(11%-)	20 years	7.56	7.48	9.14
10	Irredeemables(Flat Yield)		7.39	7.36	9.12
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.82	2.81	4.28
12	Inflation rate 5%	Over 5 yrs.	3.27	3.27	4.54
13	Inflation rate 10%	Up to 5 yrs.	1.79	1.78	3.48
14	Inflation rate 10%	Over 5 yrs.	3.09	3.08	4.35
15	Debs &	5 years	7.80	7.71	10.67
16	Loans	15 years	8.14	8.11	10.38
17		25 years	8.27	8.25	10.25

Willis Corroon grows 17% to £63m

By Andrew Jack

WILLIS CORROON, one of the UK's largest insurance brokers, yesterday reported pre-tax profits up 17 per cent from £54.1m to £63.1m in the six months ending June 30.

Turnover grew by 12 per cent to £371.2m (£331.2m), including £367.8m from continuing operations.

Mr Peter Stevens, head of corporate communications, said: "This is a year when we were not going to do exciting things with the outside world but to consolidate.

"We have had a big merger and sorting out, and we have been able to take good underlying growth in revenues which we ought to be able to maintain."

Exchange rate movements added £4.8m to profits. Underlying brokerage and fee revenue grew by 2 per cent from the previous first half. Underlying expenses fell by 1 per cent.

On continuing operations, operating expenses rose 12 per cent to £313.9m and underwriting claims rose to £13.1m (£11.5m).

Revenue from continuing broking activities rose 14 per cent to £365m and from underwriting activities by 14 per cent to £28.2m.

The company said premiums remained low in the US, although there were signs of hardening rates for property risks.

A £5.8m loss on Sovereign Marine and General, the UK underwriting business which was closed in 1991, was offset by £900,000 released from provisions made to cover run-off from the business over 20 years.

That compared with a loss on Sovereign of £2.7m in the previous quarter and a profit of £100,000 for the six months to June last year.

The dividend was halved to 3.3p in line with the board's decision to increase its cash position.

The directors approved second and third quarter dividends of 1.65p, with the alternative of a scrip dividend.

Mr Stevens said the company had a net cash inflow of £18m, compared with an outflow of £32m last year.

"We had quite a cash squeeze in 1992 and it was felt prudent to reduce the dividend," he said.

He added that while the lower dividend was easily covered at the time of the interim results, the bulk of the company's revenues came in the first half of the year.

Interest and investment income fell by £600,000 to £27.1m.

The share of profits from associates rose by 36 per cent to £5.3m (£3.9m).

Earnings per share for total operations increased by 1p to 9.3p and for cootinuing operations by 1.9p to 10.2p.

See Lex

Sotheby's optimistic despite cut in dividend

By Karen Zagor in New York

SOTHEBY'S Holdings, the auction house, has cut its quarterly dividend from 15 cents to 6 cents per share, but remains optimistic about future earnings.

The company, which recently reported a 48 per cent expansion in second qnarter net income, had indicated at its annual meeting in June that it might cnt its divideod.

Mr Michael Aloslle, president and chief executive, said the rednction "reflects the implementation by the hoard of the previously articulated position that the company would oot maintain a dividend payout in excess of earnings."

Last year Sotheby's earnings dropped 69 per ceot to 7 ceots per share, hnt it paid a dividend of 60 cents which was covered by profits from the sale of inventory and the rednction of its loan portfolio.

Hillsdown disposes of abattoir to Goodman

By Maggie Urry

HILLSDOWN Holdings, the food group, has sold another abatioir as part of its programme of reduciog its involvement in the red meat slaughtering industry.

The sale, for an undisclosed sum, is within the provisiuns the group sel up in 1992 to cover such sales. Hillsdown shares rose 5p to 171p.

The buyer of the abattoir, which is at Torrington in Devoo and employs 189 people, is a member of the Goodman International Group, the Irish-owned heef processiog group which in 1990 sought protection from its creditors.

A sharp deterioratioo in profits from its meat business, in an industry suffering chronic overcapacity, persuaded Hillsdown to announce in March an accelerated reduction in its activities in this area.

Hillsdown took a £92.3m provision in its 1992 accounts covering this and other problems.

The Torrington abattoir processes 5,000 lambs, 3,000 pigs and 800 cattle a week, mainly selling to supermarkets and for export. In April, Hillsdown sold an abattoir, which processed 4,000 lambs and 800 cattle a week, for £2.5m.

The Torrington abattoir, part of Hillsdown's North Devon Meat subsidiary, is EC approved. New EC regulations on abattoirs were introduced in January this year, but those abattoirs which have not met the new standards can continue to operate for three years, sustaining the over-capacity problem in the industry.

Cray's former chief offloads entire holding of 9m shares

By Peter Pearse

SIR PETER Michaal, the former chairman of Cray Electronics, yesterday conditionally sold his entire holding of 8.98m ordinary shares in the data communications and software systems group, which bought the Dowty information technology division from TI for £50m last August.

It is thought the sale price was about 140p, which would have given Sir Peter about £12.6m before expenses. Yesterday the shares closed up 2½p at 148½p.

Some 3.39m shares were his existing holding. The balance was converted from his entire holdings of deferred convertible shares, A deferred redeemable shares, and B deferred redeemable shares.

These derived from the final tranche of Cray's share option-based incentive bonus package for Sir Peter, Mr Roger Holland, his successor as chairman, Mr Jeff Harrison, finance director, and Mr Jon Richards, group managing director.

The bonus was triggered in July by the group's 1992-1993 results.

Pre-tax profits leapt from £2.35m to £29m boosted by the Dowty acquisition.

Earnings were up from 1.9p to 13.8p per share.

Vodafone sets up an overseas overseer

By Andrew Adonis

VODAFONE, the UK mobile communications group, has set up an international company to oversee its growing overseas business.

Although the UK still accounts for most of Vodafone's income, the company has significant stakes in Cellular franchises in Hong Kong, Germany, South Africa, Australia, Greece, Sweden and Denmark. Half of its projected £300m capital investment this year is devoted to overseas franchises.

The company has bids peoding in Egypt and Hungary, and plans further expansion in western Europe and the Asia-Pacific region as opportunities arise. Its medium-term objective is to have overseas franchises coveriog a population base as extensive as the UK, allowing for income differentials.

The managing director of Vodafone Group International will be Mr Julian Horo-Smith, curreotly managing director of Vodapage.

Mr Gerry Wheot, chief executive of Vodafone, said: "The oew company recognises the important role our overseas businesses will play in the future of Vodafone, and will allow us to devote the necessary time and effort to the UK companies which are still the backbone of our business."

Yorkshire Elec plans expansion into Finland

By Peter Pearse

Yorksbire Electricity is to be the first regiooal electricity company to expand its core businesses of distrihotioo and snpply outside the UK.

It announced yesterday that it was io discussioos with the city of Turku, Finland, about the possible acquisition of its electricity distribntioo and district heatiog businesses.

Mr Tooy Colemao, group fioaoce director, said he thongbt Yorkshire was "about six weeks from a final decision" by the mnnicipal autborities of Turku which bas aboot 50,000 customers.

He described the deal under oegotiatioo as "low-risk aod sticking to our core skills".

It would be "pretty arms-length", he added, involving mainly "experieoce and expertise" after the casb contribution.

Bromsgrove in £3.68m disposal

Bromsgrove Industries, the Birmingham-based specialist engineer, has entered into a conditional contract for the sale of part of its Selly Oak site for a minimum £3.68m.

The purchaser of the site, previously occupied by Bromsgrove's Birmingham Battery and Metal offshoot, is a private company specialising in property development.

The contract is conditional upon planning permission being obtained. Bromsgrove's shares rose 5p to 105p.

M&W in stores deal with Paper Chain

M&W, the food retailer and wholesaler, has exchanged contracts to buy eight neighbourhood convenience stores from Paper Chain (East Anglia). It is selling on two of the stores to Betta Superette.

The purchase price for the eight stores is £941,000, plus stock at valuation payable in cash. The sale of the two stores will raise £271,000 plus stock at valuation. So the net consideration amonnts to £670,000.

The six stores that M&W is retaining are in Essex, Cambridgeshire, Hertfordshire and Middlesex. They are not expected to contribute to profits for the year to October 2 1993. Bnt after that they are expected to pnt in £152,000.

Computer lift for Kode

A TURNROUND in the computer services business, which benefited from an acquisition, enabled Kode International to more than double its profits in the balf year ended July 2.

At the pre-tax level profit worked tbrough at £710,000 (£330,000), on turnover ahead from £9.64m to £12.3m.

DCM Services, the computer services operation, turned in a profit of £123,000 (losses of £453,000) in the face of "unusually difficult" market condltions, with intense price competitioo oo maioteoance contracts. However, continued success was achieved in noo-maintenance.

The printed circuit hoard companies exceeded budgeted profit, but were down ou 1992 because of the expected reduced business from one of Kam Circuits' principal customers.

However, Kam was able to win orders from new customers aod there had beeo an upturn in activity from existing sources.

Earnings in the balf year came to 4.3p (2.5p) per share aod the interim divideod is raised from 1.5p to 2p.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Clarke (T)	int	1.26	Oct 4	1.26	-	4.07
Conrad Ritblat	fin	nil	-	nil	nil	0.5
Cowdy Smaller	fin	1.875	Sept 30	1.875	3	3
Dawsongroup	int	1.5	Nov 5	0.75	-	3
Kode	int	2	Sept 10	1.5	-	5.5
M&G Income	int	1	Oct 20	1.3875	-	5.5625
New Zealand Inv	int	0.5☆	Oct 29	0.5	-	2.1
N Midland Const	int	0.4	Oct 1	0.3	-	0.8
Sotheby's Hldgs	int	6♣	Oct 7	15	-	60
Wickes	int	0.2	Jan 5	nil	-	nil
Willis Corroon	int	1.65§	Oct 1	3.3	-	13.2

Dividends shown pence per share net except where otherwise stated. §USM stock. ‡Makes 4.95p to date (9.9p). ☆Third interim; makes 1.5p to date. ♣Second quarter dividend payable in US cents, makes 21 cents so far this year

NEWS DIGEST

Palmerston seeks new capital

PALMERSTON Holdings, the lossmakiog property group, yesterday announced it was in talks with its bankers with a view to agreeing a financial restructuring by way of a company voluntary arrangement.

The directors believe that, as a result of a revaluatioo of the company's assets, there is a shortfall in shareholders' funds of about £24m.

They said it was esseotial for the company's future that there was an injectioo of new equity sbare capital. Talks were underway with a oew potential iovestor which, together with a CVA, might lead to a resolution of its problems.

Refinancing for Phoenix Timber

Phoenix Timber yesterday launched a refinancing followiog tradiog problems, the breaching of its banking covenants and the need for substantial provisions to be announced with its results for the year to March.

It will make a 5-for-8 rights issue at 8p a share to raise £1.44m, uoderwritten by Co-operation Retirement Benefit Fund, an existing shareholder. CRBF will end up with between 14.8 per cent and 55.2 per ceot of the ordinary share capital after the rights issue. It will also subscribe a total of £1.44m in loan notes subject to shareholder clawback.

If the refinancing is successful Phoenix' banks have agreed to extend banking facilities to the eod of this year.

F&C Utilities offer attracts over £72m

The £50m offer for subscription for Foreign & Colonial Special Utilities Investmeot Trust was almost three times over subscribed.

In the public offer period applications were received for 28.8m income sbares, 3.95m capital shares and 16.2m package units, representing £35m. Applications in the placing and public offer totalled £72.6m.

Applications for up to and including £6,000 worth have beeo balloted to meet 50 per cent of income sbares, 87.5 per cent of capital sbares and 75 per cent of package units.

Applications for more than £6,000 wortb will be scaled back. They will receive 15.4 per cent of income shares, 79.4 per cent of capital, and 22.6 per cent of package units.

Dealings start on August 23.

Market share expected to fall in face of nuclear and gas-fired plants

Competition hits Nat Power

By Michael Smith

NATIONAL POWER, the largest electricity generator in the UK, expects its share of the power market to fall by some 7 to 8 per cent to the low 30s over the next year, Mr John Baker, the company's chief executive, said yesterday.

The fall, foreshadowed at the company's annual general meeting last month, is the result in part of increased competition from nuclear and gas-fired plants.

Most of National Power's units are coal or oil fired.

Mr Baker was speaking to regional journalists. He forecast "good double digit dividend growth" for the current year.

Plans were well advanced to reduce the group's dividend cover from the current 3.1 per cent to 2.5 per cent over the next two years, he said.

His comments come amid widespread speculation about the future of National Power and PowerGen, the other main electricity generator, arising from an inquiry by Prof Stephen Littlechild, the industry regulator, into their costs and margins.

The inquiry has been given added impetus by a rise in prices in the electricity wholesale market since April.

Prof Littlechild has said he will decide by the end of the year whether to refer the generators to the Monopolies and Mergers Commission.

Some analysts believe National Power is unduly pessimistic in its public announcements.

Mr Baker said it had become increasingly difficult to offset lower earnings with cost reductions, and earnings growth for the company over the next few years was uncertain.

On coal he said National Power had not been able substantially to reduce coal stocks. Prospects for burning more coal in the foreseeable future were "pretty remote".

This confirms the worst fears of British Coal which increasingly believes additional sales this year, essential if reprieved pits are to stay open, will be small.

Mr Baker said it was in everyone's interest to have an efficient domestic coal industry.

The company would try to take more local coal over the next few years, but it had to be at competitive international prices.

Mr Baker confirmed intentions to expand abroad. "By the end of the decade we hope that between 10 and 20 per cent of our earnings will come from overseas investments."

He indicated that he expected the government would sell its 40 per cent stakes in National Power and PowerGen by this time next year, provided there was no reference to the Monopolies and Mergers Commission.

"The Treasury would clearly like to sell and we would be happy to co-operate," Mr Baker stated.

Trevor Humphries

John Bakar: prospects for *burning more coal are remote*

Dawsongroup shares jump 60p

By David Blackwell

SHARES IN Dawsongroup, the Milton Keynes-based commercial vehicle hire and distribution company, surged 60p to 303p yesterday on news of a jump in interim pre-tax profits from £1.97m to £3.56m.

Mr Peter Dawson, the chairman and chief executive who holds almost 75 per cent of the shares, said the result represented "an exceptional performance in what is still a fragile market."

The 80 per cent rise in profits for the six months to June 30 was achieved on the back of a 13 per cent increase in turnover to £24.8m.

Earnings per share rose to 7.7p (4.5p) and the interim dividend is doubled to 1.5p.

The group has two main divisions – truck and trailer rentals and a large Volvo truck dealership. Mr Dawson said the rental side, which includes both short-term and contract hire as well as portable cold stores, continued to be the cornerstone of the group's recovery.

Activity in the new and used truck market had increased – but from a very low base. Margins had also been under further pressure on the service and parts side of the truck dealership.

Turnover from the rentals division was 5 per cent ahead at £17m, while pre-tax profits were 86 per cent up at £3.36m. That was achieved via a 10 per cent increase in rental revenues per unit, better utilisation of a smaller fleet and quality vehicles which could command higher prices.

In contrast, the commercial vehicle division's turnover was up 34 per cent, with sales to third parties of £7.73m (£5.77m) and intra-group sales of £5.91m (£2.13m), but pre-tax profits were only 12 per cent ahead at £191,000.

Mr Clive Gear, finance director, said the company's financial position remained strong, with gearing almost unchanged at 119 per cent. "The gearing may sound high, but in our industry it's exceptionally low."

Net borrowings were £38.2m (£31.7m) and net interest payable was virtually unchanged at £2.05m.

The rentals division plans to add at least one location to the current 29, and to replace more of the fleet. It believes it has a solid base of contract hire at 46 per cent of revenues, and points out that the portable cold atore sector, now three years old, has donbled hotb size and turnover in the first half.

NEWS DIGEST

T Clarke declines to £274,000

SHARES of T Clarke fell 10p to 72p yesterday following news that profits of the electrical contractor had fallen from £672,207 to £274,464 pre-tax for the half year ended June 30.

Turnover for the period improved to £32.22m (£30.12m). However, the directors warned that "given a real decline in turnover for the second half and anticipated redundancy costs, the results will be substantially down for the year".

The interim dividend is maintained at 1.26p from earnings of 1.265p (3.404p).

Clarke is a ultimately owned by CS Holdings (Credit Suisse).

M&G Income shows 61% net assets rise

The split capital M&G Income Investment Trust had a net asset value of 70.6p per capital share at July 31, an advance of 61 per cent on the previous July's level of 43.81p.

The value of the zero dividend preference shara rose from 37.15p to 41.41p over the same period.

Net revenue for the year amounted to £6.06m (£6.37m) for earnings of 2.46p (2.58p) per income share.

An interim dividend of 1p (1.3875p) is declared. Directors reiterated their intention to pay three interim dividends at that level and a final of not less than 1.9125p.

New Zealand Inv net assets jump 75%

New Zealand Investment Trust reported a net asset value of 183.4p per share as at July 31, a year-on-year advance of 75 per cent.

Net revenue for the nine months to end-July amounted to £142,580, down from £155,207 in the comparable period. Earnings per share emerged at 1.43p (1.55p) and the third interim dividend is again 0.5p, making 1.5p to date.

Directors said that to reduce costs and to "facilitate easier administration" future dividends would be paid on a six-monthly basis.

County Smaller net assets rise

Net asset value per ordinary share of the County Smaller Companies Investment Trust stood at 100.69p at July 1. That compared with the 93.63p standing at June 30 1992 which covered the period from incorporation on April 10 1991.

Available revenne for the year to end-June totalled £556,334 (£518,941 for period). A second interim dividend of 1.875p, in lieu of a final, makes a 3p (same) total.

North Midland Cons increases 13%

North Midland Construction increased pre-tax profits by 13 per cent from £84,000 to £95,000 in the six months to June 30 on sales down 11 per cent at £8.75m.

The interim dividend is 0.4p (0.3p), payable from earnings per share of 0.71p (0.56p).

Fidelity European net assets at 130.33p

At June 30 1993 net asset value of Fidelity European Values was stated to be 130.33p per share. In the half year to that date income totalled £1.34m. Net revenue was £474,000 for earnings per share of 1.14p.

Idwal Williams to buy rest of Graig

The scheme of arrangement for Idwal Williams to effect the buy-out of Graig Shipping shares not already owned by them has been sanctioned and accordingly the consideration of 157.5p cash per scheme share will be sent to shareholders in the next week.

Graig's independent directors, Mr Gordon Owan, Mr Peter Tudball and Mr Glyn Harris, have resigned from the board in line with the agreement announced on June 15.

Conrad Ritblat cuts losses to £184,000

WITH fTS praliminary statement for the year ended May 31, showing a much reduced loss, Conrad Ritblat Sinclair Goldsmith announced the purchase of the freehold of the building in Glasgow which houses its Scottish operations.

It is buying the property, in West George Street, from Cityprop for £2.85m satisfied in 6m ordinary shares, subject to shareholders' approval.

British Linen Bank is arranging the placing of up to 5.68m of the shares at 47.5p each, to raise £2.7m for the vendor.

The gronp occuples some 5,150 sq ft of the building at a current rent of £61,700 per year; the remainder is let at a total of £150,000. The property is generating an income yield of 7.43 per cent.

Mr John Ritblat, chairman of this surveying, estate agency and rating consultancy group, reminded shareholders that the merger of Conrad Ritblat and Sinclair Goldsmith was completed just before May 31.

Despite a small drop in turnover from £2.77m to £2.67m the pre-tax loss was cut from £525,000 to £184,000 by effective control of costs. Losses per share were 1.4p (3.5p).

The rating division continued to "perform with distinction", while the professional department expanded in valuation work. Agency markets were difficult because of lack of tenant demand.

[illegible]

PUBLIC NOTICES

NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER *SUBSECTIONS 8(5) AND 10(6) OF THE TELECOMMUNICATIONS ACT 1984*

The Secretary of State hereby gives notice as follows.

1. He proposes to grant separate licences under the Telecommunications Act 1984 ("the Act") to Sprint Holding (UK) Limited ("Sprint") and WORLDCOM INTERNATIONAL, INC ("WorldCom") to run telecommunication systems throughout the United Kingdom. Sprint and WorldCom are together referred to in this notice as "the Licensees". The licences will each be for a period of 25 years subject to earlier revocation in specified circumstances.

2. The principal effect of the licences will be to enable the Licensees to install and run telecommunication systems throughout the United Kingdom. The Licensees will be able to provide a wide range of services but excluding mobile radio services and certain international services. The licences authorise connection to a wide range of other systems including earth orbiting apparatus allowing the provision of some types of international satellite service. On securing a share of 25% or more of the market in respect of particular services in an area specified by the Director General of Telecommunications, each of the Licensees may be obliged to make available those telecommunication services to all who reasonably request them within that area.

3. The licences will be subject to conditions such that section 8 of the Act will apply to them, thereby making each of the systems run under each licence eligible for designation as public telecommunication systems under section 9 of the Act. It is the intention of the Secretary of State to designate the systems of each of the Licensees as public telecommunication systems.

4. The Secretary of State proposes to grant the licences in response to an application from each Licensee for such a licence because he considers that it will help to satisfy demands in the United Kingdom for the provision of services of the type authorised, will promote the interests of consumers in respect of the quality and variety of such services, and will maintain and promote effective competition between those engaged in the provision of telecommunication services.

5. He proposes to apply the telecommunications code ("the Code"), subject to certain exceptions and conditions, to Sprint throughout the United Kingdom and to WorldCom in London and its vicinity (a map of the area is attached as an Annex to the draught licence). The effect of the exceptions and conditions to the application of the Code is that the Licensees will have duties:

   (a) to comply with various safety and environmental conditions, in particular (with certain exceptions) to install lines underground or only on such above-ground apparatus as is already installed for any purpose;

   (b) to comply with conditions designed to ensure efficiency and economy on the part of the Licensees, in connection with the execution of works on land concerning the installation, maintenance, repair or alteration of their apparatus;

   (c) to consult certain public bodies before exercising particular powers under the Code, including the local planning and highway authorities and, where appropriate, English Nature, Scottish Natural Heritage, the Countryside Council for Wales, the National Trust and the National Trust for Scotland, as well as relevant electricity suppliers;

   (d) to keep and make available records of the location of underground apparatus and copies of the exceptions and conditions in each licence to the powers under the Code; and

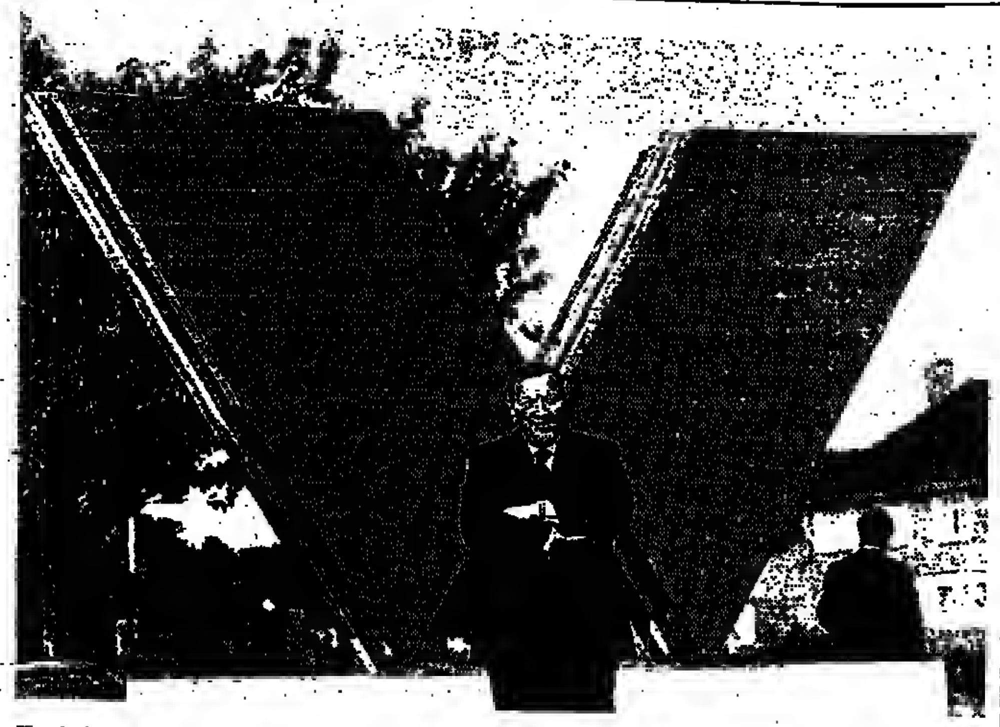
   (e) to ensure that sufficient funds are available to meet certain liabilities arising from the execution of street works.

6. The reason why the Secretary of State proposes to apply the Code to the Licensees is that the Licensees will need the statutory powers in the Code to install and maintain the telecommunication systems which are to be installed and run under the proposed licences.

7. The reasons why it is proposed that the Code as applied should have effect subject to the exceptions and conditions referred to above are that they are considered requisite or expedient for the purpose of securing that the physical environment is protected, that there is no greater damage to land than necessary, that the systems are installed as safely and economically as possible, and that the Licensees can meet (and relevant persons can enforce) liabilities arising from the execution of works.

8. Representations or objections may be made in respect of either of the proposed licences, the application of the Code to either of the Licensees and the proposed exceptions and conditions referred to above. They should be made in writing by 8 October 1993 and addressed to the undersigned at the Department of Trade and Industry, Telecommunications and Posts Division, Room 2.84, 151 Buckingham Palace Road, London, SW1W 9SS. Copies of the proposed licences can freely be obtained by writing to the Department or by calling 071-215 1756.

P J Kirby
19 August 1993
Department of Trade and Industry



Henry Sweetbaum: Hunter Timber, a former drain on resources, was now close to making a profit

Colin Beere

Wickes achieves £4.1m and resumes dividend payments

By Neil Buckley

WICKES, the DIY and timber retailer which came close to collapse two years ago, yesterday returned to the dividend list after a two-year absence, on the back of improved interim profits.

The company, which operates 111 stores in the UK, Belgium, the Netherlands and France, declared an interim pay-out of 0.2p as it revealed pre-tax profits of £4.08m for the six months to June 30.

That compared with £6.5m last year on an FRS 3 basis, which included extraordinary gains of £5.1m on the conversion of unsecured loan stock. Stripping out those gains, the comparable pre-tax profit was £1.4m.

Earnings were 1.0p (2.1p including extraordinary gains).

Turnover increased to £294m (£266.5m). UK turnover increased by 13 per cent and pre-tax profits by 17 per cent.

Excluding new stores, like-for-like sales rose only 0.5 per cent. But Mr Henry Sweetbaum, chairman, said that represented a "significant increase in share" in a static market.

Sales and profits in continental Europe increased by 5 per cent, with like-for-like sales up 4.5 per cent in spite of the weaker economic climate.

Sales rose 9 per cent at Hunter Timber, whose acquisition for £273m in 1988 proved to be a severe drain on Wickes' management and financial resources. Mr Sweetbaum said the chain was now close to making a profit before interest, after Wickes reduced its size and introduced a system of incentives for increasing volumes.

Trading remained difficult at the Malden timber and joinery subsidiary, whose customer base of small "jobbing" builders was badly hit by the recession. The new Builders Mate format, however, was performing well, with 11 new branches opening, taking the total to 18. Wickes plans to open seven more stores in 1993.

Group debt declined from £73.2m to £70.6m during the period, reducing gearing to 88 per cent (94 per cent), and the lower borrowings and interest rates reduced net interest charges to £5.23m (£7.32m).

● COMMENT

Wickes created severe difficulties for itself with its diversification into timber in 1988. Hunter Timber now seems to be turning round, although falling sales at Malden remain a cause for concern and it may be some time before store conversions to the new format reverse the decline. Otherwise, Wickes has played a canny game recently. It stayed out of last year's DIY price war and emerged with enhanced profits and margins. It has a distinctive product offer appealing to both DIY enthusiasts and the trade, and enjoys a strong reputation for customer service and the quality of its own brand. It is expanding, and well-placed to benefit from improving consumer spending. Full-year forecasts of up to £18m put the company on a high prospective multiple of 28, but Wickes is seen as a recovery stock and long-term outperformer.

Bass sells 46 pubs to Marston

By Philip Rawstorne

BASS has agreed to sell 46 public houses to Marston Thompson & Evershed, the Staffordshire-based regional brewer, for £10.8m.

This follows Bass's sale of 44 pubs to Greene King, the East Anglian brewer, last week for £17.5m.

Mr John Denning, director of Bass Taverns, said yesterday: "We continue to manage our portfolio of pubs to improve the overall quality of our estate and the return on capital employed."

Bass has opened 22 new houses so far this year and has a further 16 sites under development, representing a total investment of £34m.

The pubs bought by Marston are mainly in south and south-west England and in Yorkshire and Lincolnshire, areas in which the brewer is not represented in strength; 38 are freehold and 37 are under management, with the rest let to tenants.

Mr David Gordon, managing director of Marston, said the outlets acquired increase the company's estate to 230 managed houses and 664 tenanted outlets.

Bristol Channel shares suspended

By Joan Marshall

SHARES IN Bristol Channel Ship Repairers were suspended yesterday at 8½p at the company's request pending shareholders' approval of its reorganisation proposals.

Mr Christopher Bailey, chairman, said the company had started talks with Mr Andreas O Ugland and other members of his family regarding the proposed acquisition of a fleet of vessels and a ship management business.

Should the transaction proceed, he said the company expected to fund the purchase price, expected to be between £15m and £20m, by means of a rights issue. The enlarged group would be better positioned to take advantage of further shipping-related opportunities, he said.

At the same time the ship repairer and engineer announced a pre-tax loss of £591,150 for the year to March 26, compared with profits of £168,804. Turnover fell to £48,574 (£1.27m).

Mr Bailey said the result had been hit by the recession, coupled with the upgrading work which had effectively closed the dry docks for some months.

The losses were also after a non-recurring charge of £180,000 for cancelling management and administration agreements with CH Bailey, a £124,000 rise in repair and maintenance costs and other non-recurring charges.

Losses per share were 0.74p, against earnings of 0.21p.

Mr Bailey said that at about the time of the annual meeting he would step down in favour of Mr Ugland. Other directors would also be resigning.

Mr Ugland is chairman of Ugland Brothers, a ship management company, which is Bristol's largest shareholder with a 24.19 per cent stake.

Brammer studies pumps arm bid

Brammer, the ball bearing distributor and electrical services group, said yesterday it was considering a conditional offer for its Master Pumps and Equipment US offshoot.

The approach could lead to a firm offer within the next few weeks, the company said.

It has been seeking a buyer under its policy of concentrating resources on Europe.

Stakis likely to buy Rex Leisure

By James Buxton

Stakis, the hotels and casinos group, is believed to be close to agreeing the purchase of Rex Leisure, a privately-owned Coventry-based company which runs the Rubicon casinos in Coventry, Wolverhampton and Northampton.

The Glasgow-based company, which returned to profit last year after heavy losses and write-offs in 1991, recently signalled its intention to make acquisitions.

Last month it raised £9.6m by a share placing. Of the proceeds £5.85m is being used to buy a 128-room hotel in York, at present managed by Holiday Inns (UK). The balance was for other acquisitions.

Stakis refused to comment yesterday.

Rival Topic systems to be launched in October

By Andrew Fisher

ICV and Telekurs, the two companies chosen by the London Stock Exchange to develop the next generation of its Topic market information system, plan to launch competing versions in October.

ICV, a UK financial information company, took on existing Topic contracts with users of 14 terminals or fewer, while Telekurs, owned by a consortium of Swiss banks, took the bigger ones.

There are some 10,000 Topic terminals in use, roughly split between the two companies.

Telekurs said yesterday that it would unveil a new system on October 4 which would offer a choice of satellite or landlines for data communication.

ICV said its Topic 3 range, to be launched on October 19, would reduce costs by between 15 and 30 per cent, compared with the existing version of the 12-year-old service.

The company has invested about £3m in developing Topic 3 products. These include a version for use with Windows software.

Mr David Taylor, ICV's managing director, said data for Topic 3 would be delivered by satellite. ICV has rented broadcast capacity from France Telecom and has had a special satellite receiving system developed for customer sites.

Reuters, the UK-based international news and financial information agency, offers a rival system called UK Equity Focus.

ACCOUNTANCY COLUMN

Mass of fine print may obscure judgments

Roger Davis argues that professional experience and instinct should count for more than rigid adherence to the rule book

THE unsurprising event for accounting and auditing this year – with the unprecedented volume of pronouncements – has been the cry of "too much". But I have another concern: over-engineer the rules and you will endanger accountancy as a real profession.

There are still too many options for accounting for the same thing, when no one way can rationally be said to be right or best. The Accounting Standards Board needs support and encouragement in resolving the remaining issues. It is time, also, to extract ourselves from a stick-in-the-mud attitude to the need to redefine and revitalise the audit.

But you need a well sharpened pencil to draw the line between narrowing choices and compromising professional judgments. I readily acknowledge that practising accountants should now reassert the authority of those judgments and thus render an almighty rule book unnecessary.

For that is what professionalism means: forming judgments from professional experience and then sticking to what your guts tell you, however tough the going. Most accounting is commonsense. An experienced auditor conducting a rapid financial investigation of a company will instinctively judge its financial state without pondering over the fine print of the rule book.

That is what a good audit represents, or should do. But I am currently seeing its reverse. The threat of sanctions (not least through litigation for absurd sums) engenders an attitude which says "stick to what the rules say – it's safer".

Auditing should remain an art. It is overlooked that the term derives from the latin *auditore* – to listen; that is, to listen to explanations and to judge on whether they stand up. The growing complexity of the different parts which make up a business, and of the environment in which it functions, requires more judgment, not less, by the auditor.

The problem is that the more rules you have, the more the avoidance industry will find the loopholes; and the inevitable consequence being yet more rules. It is so obvious that I stress it only because it is what I see happening in practice. Write a 50-page standard on the meaning of each of the 10 commandments and those inclined to adultery will find something to excuse their indulgence.

Applying that analogy to accounting, you find the need for yet more explanatory notes to the accounts as an excuse for not getting the figures right in the first place. It adds yet further to the complexity of company accounts.

There is a danger of reaching a level of auditing and accounting precision with which business will not be able to cope. Companies will adopt one accounting policy for their external reporting and another for internal management purposes. There can be no sense in that.

I fear for a profession more concerned with whether the figures get into the right boxes, rather than with a sensible overall picture of business performance, encapsulated in this recent exchange with one of our brightest managers: "If you were running this company would you think you had done well or badly?" answered by "It depends on how you interpret the standard".

So we have a stark choice. Auditors will go on shielding behind an ever-growing rule book. Or they will stand up to be counted on accounting that flies in the face of commonsense. I believe auditors did lose some of that culture in the 1980s, because of competitive pressures to retain business in an environment which was already encouraging a legalistic approach to accounting.

Thankfully, my evidence is that the climate has changed; company boards are increasingly asking auditors robustly to challenge their thinking on financial reporting and stewardship. The practising accountant should capitalise on the mood.

For I fear the consequences if the trend continues and a rule book mentality really does get a grip on auditing and accountancy. At best you will narrow the outlook of the people in the profession and they will increasingly lose sight of the underlying commercial drivers of the business being audited. At worst you will no longer be able to attract or retain those with the able and agile minds auditing needs if it is to serve the public interest.

It will also be deleterious to the outstanding business training which the profession has traditionally given to its graduates and from which industry has benefited.

That is equally true of more rules on what the auditor can and cannot do, such as so-called audit quarantining to build fences between auditors and management: a red herring if ever there was one, and something that betrays an outdated understanding of the profession.

Because the professional accountant's traditional business advice has required more specialism, many accountancy firms have become multi-disciplinary partnerships. Rather than threatening audit independence, all their services represent a professional challenge, founded on the audit discipline. Increasingly audit itself needs industry and functional specialists from non-accounting disciplines.

The final audit report to shareholders should be based on regular assurance to management from a unique professional perspective, and by working on the correct assumption that most British management is trying to do its best for stakeholders.

When the chairman of one of our largest clients said to me recently, "As the company's auditor, do you think the board should involve itself in this transaction whose ethics could be questioned?" should I have said "I am not allowed to advise you but I will tell you after the event"?

The good auditor has a knack of sensing those who are only on the make for themselves. No amount of rules will help: not highly prescriptive accounting standards; not lengthy auditing standards; not lengthier company accounts; and not longer audit reports. Quite simply an auditor should not put his or her name to a company report if the professional instinct says the basic message is wrong. But that is not the way we are going.

This is where we get back to professionalism. It is about none of the above, but the ability and attitude of those who work in the profession.

The vicious circle is ever more regulations and a disinclination for brighter graduates to join the party.

The virtuous circle is the opposite. Can auditors be trusted with flexibility? Auditors have to earn that trust. I suggest:

- Practising accountants should view the rule books as the underpinning and not the driver of their judgments.
- They should be able to stand up for those judgments without fear of the consequences. So they need support, which they don't always get, not just from company managements but from all those institutions who share the responsibility for good corporate governance.
- Those who write the rules should concentrate on the spirit and avoid the growing tendency to over-engineer commonsense subjects.
- Those who interpret the rules in regulating company accounts and auditing should do likewise. For example, I would like to see the Financial Reporting Review Panel taking to task those who have followed the rules when to do so was perverse.

Quite simply, without trust professionalism is dead.

Roger Davis is head of audit at Coopers & Lybrand.

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CIS offered 50% export cut in aluminium talks

By Kenneth Gooding, Mining Correspondent

THE COMMONWEALTH of Independent States tentatively offered to cut its annual aluminium exports to the European Community to about 300,000 tonnes, nearly 50 per cent below the 1992 level of 582,000 tonnes, during recent contacts with the EC.

In contrast, European aluminium producers suggest imports should be restricted to 80,000 tonnes – which they claim was the "normal" level before CIS exports began to surge in 1990. The European Commission appears to favour a limit of 150,000 tonnes which was the annual average for the past three years.

This was a crucial issue when the commission recently made determined attempts to persuade the CIS industry voluntarily to restrain exports.

The commission went armed with a report of its investigation into the impact of the unprecedented increase in CIS exports that came to the conclusion that "serious damage" was being done to the EC aluminium industry. It also suggested restrictions should be imposed on CIS aluminium imports to the community.

Having failed to reach a quick understanding with the CIS producers, the commission on August 7 said it would limit imports of CIS aluminium to the end of November to 60,000 tonnes. That would give the European industry some breathing space while further negotiations took place.

The restrictions have been widely condemned, mainly because aluminium is a global commodity and the CIS material will simply flow to other markets and be replaced in the EC by metal from producers outside the CIS.

The commission's report warned that there were drawbacks to the EC imposing unilateral restrictions. It said such action would "unquestionably draw a particularly negative reaction" from the CIS.

It also suggested that the effect on the London Metal Exchange, which sets the world price of aluminium, would be "unclear but limited and not immediate".

Also, much of the CIS aluminium was slightly below the quality required by the LME and was therefore sold at a discount to the world price. But it could be blended with higher-grade material and was then suitable for most purposes. The report pointed out that the imposition of restrictions would give a competitive advantage to producers outside the community who still had unlimited access to this lower-priced metal.

The report also concluded that limiting imports of CIS aluminium to the EC "only addresses one of the causes of the aluminium industry's problems. A full solution would require that [the CIS] has more disciplined export policies in order to restore the world balance of supply and demand."

Although widely criticised, the EC's action does seem to be having an effect. Russia's foreign trade ministry announced on Wednesday that it would cut the number of organisations permitted to export metals from 132 to five and the number allowed to export oil from 114 to nine. Ms Tatyana Aristarkhova, adviser to Mr Sergei Glazyev, the foreign trade minister, said: "We had big losses of foreign revenue in the past because of a number of incompetent exporters. This provoked all these anti-dumping campaigns against Russia".

Mexican oil giant profits from private tuition

Commercial contractors are showing Pemex how to cut costs, writes Damian Fraser

OFF THE south-east coast of Mexico in the Sound of Campeche a group of foreign and private Mexican oil companies is drilling for oil. The companies man their own rigs, lease or own their equipment and operate independently of the company to which they are contracted, Petroleos Mexicanos (Pemex), the country's state oil corporation.

In the nearest on-shore town, Ciudad del Carmen, property prices have soared as new residents have looked for homes; local entrepreneurs have set up video bars and a Kentucky Fried Chicken outlet to cash in on the boom; and rich, rowdy foreign oil workers have upset local sensibilities.

After being closed to foreign oil drillers since the early 1970s, Mexico is now opening up. Private – and thus foreign – companies still cannot explore for oil and take a cut of what they find, but they are doing drilling work for Pemex on a contract or turnkey basis. Of about 60 wells in the Bay of Campeche, 36 are being drilled by private oil companies, at a cost to Pemex of between $300m and 400m.

While the government is unlikely before next year's presidential election to modify Mexico's nationalist constitution to permit foreign oil companies to explore for oil, some further relaxation is expected eventually.

"This is not the end of the trend toward opening," says Mr Rafael Quijano, an expert on Pemex at the Petroleum Finance Corporation in Washington. "Quite the contrary; it is the beginning."

Pemex recently allowed a private consortium headed by Valero Energy of Texas to build, operate and own a gasoline plant in Mexico for the first time, and has taken a 50 per cent stake in Shell's refinery at Deer Park, Texas. It had also put up secondary petrochemicals plants for sale, although this has now been postponed for the foreseeable future because of low petrochemical prices.

In an indication of possible changes ahead, the government has drawn up draft legislation that would allow private companies to use Pemex pipes to import oil, according to a report cited in the El Financiero newspaper. Such legislation, if passed by to congress, would break Pemex's 55-year-old monopoly of the distribution of oil in Mexico.

The partial opening of the sector to foreign contractors has already had an effect on how Pemex does business. Thanks to their greater nimbleness and efficiency, private contractors take half as much time to drill a well as the state company, according to Mr Ernesto Marcos, its finance director. So contracting out has saved Pemex huge sums in drilling costs, as well as teaching it lessons that it has used to improve its own operations.

"We are not willing to follow examples of pre-cooked dinners [on the rigs]," says Mr Marcos, referring to Mexican distaste for American frozen food, "but we certainly follow other practices of the private companies." He points out that Pemex has substantially decentralised procurement, allowing rigs to buy equipment directly from suppliers, rather than through the Mexico City headquarters, which often entailed months of delay.

'Pemex's main problem is not that they don't have good people in the field. Its the ponderous organisation above that'

The private drillers are generally American, Mexican or joint-ventures between the two. So far of the 36 wells contracted out, most have been to four companies – Triton International of Houston, Faja de Oro and Protexa, both Mexican, but contracting work out to foreigners, and a joint Mexican-US owned company, EPN-Sonat.

They operate on a turnkey basis, drilling a given depth for a specified sum before handing over the well to Pemex, which brings it into production, and take all financial risk in case drilling proves more difficult than expected. Generally they make do without the large numbers of cooks, waiters and other excess staff seen on the Pemex wells and have an average basic crew of 32 to 35, compared with 42 at Pemex operations.

Apart from personnel, the main difference between the private companies and Pemex is in logistical and managerial expertise, rather than technology. One oil man in Campeche explains: "Pemex's main problem is not that they don't have good people in the field. Its the ponderous organisation above that. They have to go to six or eight people to make a decision, whereas I can make one there and then".

Mr Marcos thoroughly agrees. "Before, we had to co-ordinate people in drilling with people in procurement with people in transportation. You can never structure yourself in a company this size so that such co-ordination is efficient." The lack of co-ordination caused delays in drilling, pushing up Pemex's costs.

So convinced is the company of the benefits of contracting out that Mr Marcos claims it is now ahead of most international oil companies in the proportion of drilling work it gives out on a turn-key basis. Pemex will continue to drill a few of its own wells, he says, but only to keep abreast of technological developments.

The main limit on such contract work is Pemex's own budget rather than lack of oil to be taken out. The Sound of Campeche is rich in oil, producing 1.9m barrels a day of Mexico total of 2.67m b/d last year. Its extraction costs are among the lowest in the world, and were there were more funds, further investment in exploration and drilling would be justified, says Mr Marcos.

But although the government tells Pemex to operate as a commercial company, it sets its budget according to political criteria. The company is under instructions to meet growing demand for oil and maintain exports at current levels of about 1.37m b/d, rather than to maximise profits.

Ukrainian grain estimate raised

UKRAINIAN Agriculture Minister, Mr Yuri Karasyk, expects a 1993 grain harvest of more than 50m tonnes, the Ukrinform news agency said yesterday, reports Reuter from Kiev.

An earlier official forecast had put the harvest at up to 44m tonnes, compared with last year's 39m-40m tonnes.

Ukrinform said Mr Karasyk's forecast was made on Wednesday to a meeting of farm chiefs in Kiev.

The minister estimated general grain yields at 3.5 tonnes a hectare, with wheat yields rising to more than four tonnes a hectare. Given such a harvest, he said, state orders would total between 15m and 17m tonnes, well above requirements. "We have every possibility not only of eliminating purchases of foreign grain, but even of selling it," he said. "This applies particularly to wheat. There is even a possibility of exporting seed."

Ukraine last year imported small amounts of grain, mainly for animal feed.

The Itar-Tass news agency quoted Ukraine's ambassador in Moscow, Mr Vladimir Kryzhanovsky, as saying the country had such a good grain harvest this year that it was considering the possibility of paying off its debt for Russian energy supplies with 5m tonnes of grain exports.

Kiev owes Moscow about $1bn for energy supplies.

● As of August 9, the Russian harvest of grains and pulses (excluding maize) was behind last year, slowed by a lack of fuel and machinery, according to a US agricultural attache, reports Reuter from Washington.

However, yields have shown a significant improvement over last season, the attache wrote in a field report filed from Moscow. Grain crops had been cut and threshed on about half as much area compared with that time last year.

Sales to state resources were slower than last year, hindered by disagreements between farmers and the government over prices, the report said.

Philippines mining incentives 'not enough'

A PACKAGE of mining incentives recommended for approval by Philippines president Fidel Ramos were welcome but not enough, a Chamber of Mines official said yesterday, reports Reuter from Manila.

He said that the easing of a constitutional rule limiting foreign investors to 40 per cent ownership in mining ventures would help, as would early approval by congress of a mining code with measures designed to attract foreign investment.

The new mining code should give foreign investors "more elbow room" to acquire 100 per cent ownership in mining ventures for a certain number of years, he added.

But the official noted that mining companies had described as short-sighted the Finance Department's refusal to reduce value added tax payments by mining companies. "If the rate is reduced to 2 per cent from 5 per cent, we can use the money to expand and create more jobs. That will bring in more taxes later," he explained.

The Bureau of Mines should also be strengthened and should not remain within the Environment Department where it is finding it difficult to help the mining industry, he added.

NZ dairy farmers face disappointing market returns

By Terry Hall in Wellington

A SHARP fall in the prices on some international dairy markets in recent weeks has cast doubt on the New Zealand Dairy Board's ability to meet this season's target payout to farmers.

In May Mr Dryden Spring, the board's chairman, told dairy farmers, in his traditional pre season message, that a payout of NZ$5.50 (£2) per kilogram of milk fat was likely in the year to June 30, 1994. Mr Spring's forecasts are usually cautious, being designed to help farmers plan for the coming year, but this time he appears to have been over-optimistic, a board official indicated yesterday.

The May statement was made at a time when the industry was in a buoyant mood following last season's $5.65 payout, to which was added various dairy company payments of up to NZ$1 per kilogram, giving some farmers record returns.

But the market situation has not lived up to expectations. The price for butter has stayed in the doldrums, and there has been a sharp weakening in the value of whole milk powder.

Much of the present problem centres on currency difficulties, which are inhibiting trade in most dairy commodities except cheese, the official said. Of particular concern is the fall in European currencies against the US dollar, in which much of the world's dairy trade is carried out, and this situation has been worsened by the recent strong rise in the value of the New Zealand dollar against the US currency.

The board has warned farmers that the high level of optimism in the New Zealand industry, which is leading to high prices for both stock and farmland, does not take account of what it hopes will be short term pressures in the international market.

The official said it was unlikely that there would be an early lift in butter prices and there were question marks over the price for milk powder, of which New Zealand hopes to sell 320,000 tonnes abroad this season, twice the amount produced just four years ago. He said that demand for New Zealand cheese was holding up well, adding: "It really is the glamour product of the moment. World demand for cheese – especially the consistent type New Zealand produces – is growing strongly".

He pointed out that there were few convenience foods that did not rely on cheese to some extent – whether they be pizzas, McDonald's cheeseburgers or Mexican or pasta dishes. In addition there was a strong demand from manufacturers of TV dinners and the like.

The official said that the effects of the sharp drop in international butter and milk powder prices would have been much more severe a decade ago, when New Zealand produced a relatively narrow range of commodities in bulk form. Now about 70 per cent of the country's dairy products were exported in consumer-ready form, he said, which helped to "soften the blow" of ups and downs in the international market.

NZ dairy men look like losing on this year's roundabouts what they gained on last year's swings

WORLD COMMODITIES PRICES

MARKET REPORT

A fluctuating London Metal Exchange COPPER market recovered losses in the afternoon and the three months delivery price closed at $1,900.50 a tonne, up $2 on the day. An early fall below $1,900 triggered a bout of speculative selling that sent the price to $1,890. But buyers were encouraged by continuing nearby technical tightness, which held the cash/three months premium at just above $30 a tonne. The ZINC market firmed by $9.50 over the day to end after hours trading at $893.50 a tonne. Traders saw no news behind the rise and said that after several days testing, and holding, support around the $880-a-tonne mark the market would now probably test the top end of its $880-$900 trading range. NICKEL staged a correction to recent lows and three months bounced to $4,740 before ending at $4,725 a tonne, up $55. At the London Commodity Exchange robusta COFFEE futures finished mostly lower with light profit-taking emerging after the market's recent rapid rise. The November position closed at $1,212 a tonne, down $3 on the day and dealers said there was scope for further falls with the market still overbought.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)(Oct)		+ or -
Dubai	$14.09-4.74u	+0.04
Brent Blend (dated)	$16.02-6.64u	+.015
Brent Blend (Oct)	$16.80-6.84	-.025
W.T.I (1 pm est)	$18.10-8.12u	-0.06
Oil products		
(NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$191-193	-1
Gas Oil	$163-164	+0.5
Heavy Fuel Oil	$61-62	
Naphtha	$160-162	-0.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$373.00	-0.20
Silver (per troy oz)♣	472.00c	+1.00
Platinum (per troy oz)	$383.90	+5.50
Palladium (per troy oz)	$138.50	+0.25
Copper (US Producer)	90.00c	-0.50
Lead (US Producer)	34.63c	
Tin (Kuala Lumpur market)	12.20m	-0.03
Tin (New York)	220.0c	-0.5
Zinc (US Prime Western)	Unq	
Cattle (live weight)†	133.33p	+1.11*
Sheep (live weight)†♣	67.93p	-2.21*
Pigs (live weight)†	72.39p	+0.36*
London daily sugar (raw)	$243.5	-0.2
London daily sugar (white)	$294.5	+5.5
Tate and Lyle export price	£271.5	-2.5
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£169.5	
Wheat (US Dark Northern)	£147.0	
Rubber (Sep)♥	58.75p	-1.00
Rubber (Oct)♥	59.75p	-1.00
Rubber (KL RSS No 1 Jul)	211.5m	
Coconut oil (Philippines)§	$450.0v	
Palm Oil (Malaysian)§	$352.5u	
Copra (Philippines)§	$289.0	-4.0
Soyabeans (US)	£162.5	-3.5
Cotton "A" index	54.95	+0.15
Woollops (64s Super)	338p	-14

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Jul. t-Aug/v-Sep/Oct u-Sep. l-Oct/Dec x-Aug/Sep ¶London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices. * change from a week ago. provisional prices.

COCOA – LCE (£/tonne)

	Close	Previous	High/Low	
Sep	783	780	788	755
Dec	787	782	792	781
Mar	805	802	810	800
May	816	812	819	813
Jul	829	819	827	825
Sep	834	828	837	834
Mar	859	855	859	854

Turnover: 5338 (4168) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Aug 18 757.91 (783.62) 10 day average for Aug 19 752.28 (748.62)

COFFEE – LCE ($/tonne)

	Close	Previous	High/Low	
Sep	1243	1238	1243	1210
Nov	1212	1215	1215	1195
Jan	1185	1194	1190	1173
Mar	1169	1171	1171	1156
May	1156	1156	1156	1150

Turnover: 4646 (6873) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Aug 18 Comp. daily 67.50 (66.14) 15 day average 65.93 (65.58)

SUGAR – LCE ($ per tonne)

White	Latest	Previous	High/Low	
Oct	261.50	258.80	262.50	260.00
Dec	256.00	256.00	258.00	257.50
Mar	259.50	257.40	260.70	256.20

White 1596 (1268) Paris- White (FFr per tonne): Oct 1542.25 Dec 532.73

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low	
Oct	16.94	16.96	17.08	16.89
Nov	17.12	17.12	17.22	17.09
Dec	17.34	17.30	17.36	17.31
Jan	17.44	17.40	17.50	17.44
Apr	17.75		17.75	
May	17.83		17.80	17.83
IPE Index	16.99	17.09		

Turnover 19355 (22443)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low	
Sep	162.00	161.75	163.00	161.25
Oct	164.25	164.00	165.00	163.75
Nov	166.00	166.00	166.75	166.00
Dec	168.25	168.25	169.00	168.25
Jan	169.75	169.75	170.25	169.50
Jun	164.00	163.50	164.00	

Turnover 6543 (5734) lots of 100 tonnes

POTATOES – LCE (£/tonne)

	Close	Previous	High/Low	
Apr	77.4	77.5	78.9	77.4

Turnover 34 (144) lots of 20 tonnes.

SOYAMEAL – LCE (£/tonne)

	Close	Previous	High/Low
Oct			

Turnover 0 (0) lots of 20 tonnes.

FREIGHT – LCE ($10/index point)

	Close	Previous	High/Low	
Aug	1490	1441	1490	1440
Sep	1490	1480	1495	1465
Oct	1505	1495	1505	1500
Nov	1525	1510	1525	1510
Jan	1525	1515	1528	1520
Apr	1548	1545	1550	1545
BFI	1435	1413		

Turnover 163 (428)

GRAINS – LCE (£/tonne)

Wheat	Close	Previous	High/Low	
Sep	104.95	104.75	105.10	104.75
Nov	106.35	106.30	106.50	106.15
Jan	108.50	108.30	108.55	108.25
Mar	112.70	112.50	112.70	112.50

Barley	Close	Previous	High/Low	
Sep	99.95	100.15	100.15	99.95
Nov	102.80	102.90	103.00	102.30
Jan	105.00	105.10	105.10	105.00
Mar	107.25	107.25	107.25	107.25
May	108.40		108.40	

Turnover: Wheat 293 (408) Barley 45 (53). Turnover lots of 100 Tonnes.

PIGS – LCE (Cash Settlement) p/kg

	Close	Previous	High/Low
Aug	98.0		

Turnover 0 (0) lots of 3,250 kg

FRUIT & VEGETABLES

French Guyot pears are this week's best fruit buy at 30-45p a lb (40-50p). Apples are also good value, with the English Discovery now available for 30-40p a lb (40-50p). Cyprus white seedless grapes are also good value, with Perlette at 70p-£1.00 a lb (70p-£1.00). English Primo Summer cabbages remains good at 25-30p a lb (25-30p). Other green vegetables proving very good, English broccoli at 60-80p (80-90p). Lettuces are excellent this time of year, Buy English looking at 35-40p each (50-60p). English, French and Dutch tomatoes are still a good salad buy at 30-50p a lb (40-55p). NB Last week's prices shown in brackets.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 43,471 lots
Cash	1152-3	1146.5-7.5		1149-50		
3 months	1175-5.5	1170-1	1178/1172	1172.5-3.0	1175.5-6.0	239,400 lots
Copper, Grade A ($ per tonne)						Total daily turnover 38,233 lots
Cash	1930-2	1928-30	1930/1923	1923.5-4.0		
3 months	1900-1	1898-9	1905/1890	1893.5-4.5	1904-4.5	101,888 lots
Lead ($ per tonne)						Total daily turnover 3,883 lots
Cash	387.5-8.5	387-8	388.5/388	388-8.5		
3 months	401-1.5	400-1	402/400	400.5-1.0	401-1.5	24,697 lots
Nickel ($ per tonne)						Total daily turnover 6,283 lots
Cash	4675-85	4615-20	4635	4635-8		
3 months	4730-5	4670-5	4740/4650	4687-90	4725-30	44,861 lots
Tin ($ per tonne)						Total daily turnover 1,214 lots
Cash	4800-10	4805-15	4805	4795-805		
3 months	4850-60	4860-70	4870/4855	4850-5	4855-65	10,856 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 18,774 lots
Cash	880.5-1.5	868.5-9.5		878-7		
3 months	893.5-4.0	882-3	894/885	890.5-1.0	893.5-4.0	77,831 lots

LME Closing £/$ rate: SPOT: 1.5055 3 months: 1.4960 6 months: 1.4881 9 months: 1.4833

Copper and lead prices are now expressed in dollars per tonne

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	372.75-373.25	
Opening	373.00-373.40	
Morning fix	373.65	247.319
Afternoon fix	373.40	248.225
Day's high	374.10-374.60	
Day's low	372.25-372.75	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.65	6 months	2.63
2 months	2.64	12 months	2.64
3 months	2.60		

Silver fix	p/troy oz	US cts equiv
Spot	311.90	472.50
3 months	316.35	478.05
6 months	320.60	480.10
12 months	329.20	489.25

GOLD COINS

	$ price	£ equivalent
Krugerrand	372.50-375.50	246.00-248.00
Maple leaf	382.70-385.20	
New Sovereign	88.00-91.00	58.00-60.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Oct	Jan	Oct	Jan
1175	21	40	27	33
1200	11	27	42	45
1225	6	27	60	60

Copper (Grade A)	Calls		Puts	
1900	52	77	35	74
1950	30	56	88	102
2000	15	39	101	134

Coffee	Nov	Jan	Nov	Jan
1150	138	141	43	73
1200	105	112	65	99
1250	77	88	84	130

Cocoa	Dec	Mar	Dec	Mar
725	80	102	18	22
750	63	84	28	29
775	48	69	36	39

Brent Crude	Oct	Nov	Oct	Nov
1700	36	-	21	-
1750	16	44	63	-
1800	7	29	-	-

New York

GOLD 100 troy oz.; $/troy oz.

	Latest	Previous	High/Low	
Aug	371.3	374.3	373.6	373.5
Sep	371.7	374.8	0	0
Oct	372.8	375.7	375.1	372.0
Dec	374.4	377.5	377.1	373.9
Feb	376.2	379.3	378.0	376.0
Apr	377.9	381.0	0	0
Jun	379.8	382.8	381.0	379.2
Aug	381.7	384.8	384.0	381.7
Oct	383.2	386.4	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Aug	385.3	380.4	0	0
Oct	386.3	391.4	396.0	386.0
Jan	387.7	392.8	395.0	387.6
Apr	388.7	393.8	0	390.0
Jul	389.7	394.8	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Aug	465.3	470.5	0	0
Sep	466.0	471.0	473.5	465.0
Oct	467.2	472.4	0	0
Dec	470.3	475.5	478.0	470.0
Jan	471.3	476.6	0	0
Mar	475.1	480.3	488.0	476.0
May	478.8	484.2	488.0	480.0
Jul	481.7	486.8	0	0
Sep	485.1	490.3	495.0	483.0
Dec	490.5	495.7	497.5	488.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	84.15	83.55	84.20	83.90
Sep	84.15	83.55	84.25	83.70
Oct	84.25	83.55	84.20	84.20
Nov	84.35	83.75	0	0
Dec	84.45	83.85	84.55	84.00
Jan	84.55	84.00	0	0
Feb	84.65	84.25	0	0
Mar	85.05	84.45	85.10	84.70
Apr	85.20	84.60	0	0
May	85.40	84.80	85.60	85.40

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Sep	17.80	17.88	17.91	17.68
Oct	18.09	18.13	18.26	18.05
Nov	18.35	18.38	18.52	18.30
Dec	18.58	18.64	18.72	18.55
Jan	18.75	18.80	18.94	18.75
Feb	18.95	18.94	19.00	18.90
Mar	19.00	19.06	19.11	19.00
Apr	19.14	19.17	19.17	19.16
May	19.27	19.27	19.27	19.27
Jun	19.25	19.29	19.33	19.40

HEATING OIL 42,000 US galls, cents/US galls.

	Latest	Previous	High/Low	
Sep	52.20	52.29	52.70	52.00
Oct	53.25	53.32	53.70	53.10
Nov	54.20	54.30	54.80	54.10
Dec	55.25	55.30	55.80	55.10
Jan	55.80	56.00	56.25	55.85
Feb	56.20	56.20	56.40	56.20
Mar	55.45	55.45	55.75	55.40
Apr	54.35	54.30	54.60	54.30
May	53.50	53.50	0	53.50
Jun	53.30	53.05	53.40	53.30

COCOA 10 tonnes;$/tonnes

	Latest	Previous	High/Low	
Sep	979	987	985	975
Dec	1029	1038	1040	1028
Mar	1064	1074	1074	1058
May	1081	1090	1090	1079
Jul	1102	1110	1105	1105
Sep	1121	1140	1194	1121
Dec	1149	1151	1153	1153
Mar	1172	1174	1175	1175
May	1192	1194	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	72.05	72.25	72.75	71.20
Dec	75.05	75.35	75.75	74.15
Mar	77.30	77.65	77.00	76.50
May	78.25	78.60	79.00	77.90
Jul	80.15	81.00	80.20	80.20
Sep	80.20	82.00	0	0
Dec	84.05	85.25	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	9.39	0.35	9.52	9.29
Mar	9.49	9.50	9.62	9.45
May	9.60	9.60	9.70	9.59
Jul	9.69	9.67	9.78	9.69
Oct	9.73	9.72	9.72	9.68

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	55.13	55.27	55.80	54.90
Dec	56.07	56.25	56.65	56.01
Mar	57.46	57.78	58.00	57.47
May	58.43	58.62	58.40	58.25
Jul	58.98	58.95	59.05	58.95
Oct	58.84	58.80	0	0
Dec	60.11	60.05	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	115.65	115.15	115.60	114.60
Nov	119.60	118.15	119.60	117.50
Jan	121.25	119.95	121.00	118.75
Mar	122.60	121.45	122.00	120.80
May	123.00	122.45	123.00	122.00
Jul	123.50	123.05	122.50	122.50
Sep	121.50	121.05	0	0
Nov	121.50	121.05	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)

Aug.18	Aug.19	mnth ago	yr ago
1814.6	1848.4	1784.4	1521.8

DOW JONES (Base: Dec. 31 1974 = 100)

	Aug.18	Aug.17	mnth ago	yr ago
Spot	123.48	123.80	123.54	115.86
Futures	125.28	125.18	125.15	115.22

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Aug	660/0	667/2	667/0	657/0
Sep	663/0	667/6	667/0	655/4
Nov	663/0	665/4	665/0	634/2
Jan	668/6	669/4	670/0	659/4
Mar	672/4	665/2	674/0	664/0
May	674/4	666/2	675/0	666/0
Jul	675/0	676/4	678/0	668/0
Aug	671/0	664/0	671/0	662/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	23.30	23.15	23.38	23.08
Sep	23.30	23.15	23.45	23.10
Oct	23.44	23.32	23.59	23.26
Dec	23.65	23.54	23.85	23.47
Jan	23.75	23.65	23.90	23.60
Mar	23.87	23.80	24.05	23.75
May	23.93	23.80	23.83	23.93
Jul	23.80	23.85	24.05	23.80

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Aug	217.2	218.2	219.2	216.2
Sep	213.4	213.3	214.7	211.8
Oct	210.8	210.1	212.2	208.1
Dec	210.2	208.7	211.5	208.0
Jan	209.5	207.5	210.5	207.5
Mar	209.2	207.2	210.0	207.5
May	208.5	205.6	209.5	206.0
Jul	208.1	205.5	209.0	206.0

MAIZE 5,000 bu min, cents/56lb bushel

	Close	Previous	High/Low	
Sep	237/6	236/4	239/4	235/6
Dec	243/2	242/0	245/0	241/2
Mar	250/2	249/6	253/4	249/4
May	255/0	254/0	257/2	253/2
Jul	257/0	256/2	259/0	255/6
Sep	250/0	249/2	250/4	248/0
Dec	242/2	242/0	244/0	240/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	312/4	310/4	314/6	310/4
Dec	317/6	315/6	321/0	316/0
Mar	318/4	317/2	321/6	317/2
May	312/0	311/4	315/0	311/2
Jul	300/4	299/2	302/6	299/2
Sep	304/4	303/2	0	0
Dec	313/0	311/2	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Aug	75.000	75.100	75.175	74.850
Oct	74.825	74.825	74.900	74.575
Dec	75.475	75.600	75.825	75.380
Feb	75.950	76.050	76.000	75.750
Apr	76.825	76.975	76.900	76.675
Jun	73.700	73.750	73.800	73.600
Aug	72.375	72.400	72.550	72.375

LIVE HOGS 40,000 lb; cents/lbs

	Close	Previous	High/Low	
Aug	50.725	50.475	50.825	50.450
Oct	45.325	46.100	46.250	45.850
Dec	45.825	45.800	46.050	45.700
Feb	45.450	45.475	45.725	45.450
Apr	44.325	44.350	44.550	44.250
Jun	49.400	49.300	49.550	49.350
Jul	48.325	48.300	48.550	48.250
Aug	46.900	46.800	46.850	46.700

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Aug	41.500	42.450	47.475	40.950
Feb	49.700	49.025	50.130	48.625
Mar	48.200	48.100	49.700	48.075
May	48.900	49.000	49.700	48.850
Jul	50.300	50.250	50.100	49.850
Aug	48.700	49.550	0	48.700

LONDON STOCK EXCHANGE

Shares easier after turbulent session

By Terry Byland,
UK Stock Market Editor

AN EXPECTED bout of profit-taking in the London stock market was overwhelmed yesterday by a series of unforeseen developments elsewhere in the global markets arena. A huge increase in the US trade deficit in June, a bombing raid on Iraq by American aircraft, and a warning on the economic outlook from Hang Seng Bank, Hong Kong subsidiary of HSBC, prompted a turbulent session for share prices. But all ended well, with the FT-SE 100 Index rallying to close a net 8.1 off at 3,065.5.

London market strategists professed themselves satisfied with the final picture, pointing out that the fall on the Footsie was of little significance when measured against the upsurge of the past month.

Equities opened higher, largely on the back of US buying orders laid down overnight by Wall Street investors celebrating the record close on the Dow Industrial Average.

Within half an hour of the official opening, the FT-SE Index was 15.6 points ahead at a new trading peak of 3,089.2 and traders were hoping to see the 3,100 mark challenged before the end of the day.

In the banking sector, Barclays rose sharply on the announcement that the bank has appointed the new chief executive for which it has been seeking.

However, neither UK government bonds nor stock index futures would give support and the market began to soften. The report from the Hang Seng bank, expressing some caution on the outlook for global economies, cast a cloud over the London market's newly-inspired confidence. Share prices turned off smartly and market traders began to take some of the large paper profits already chalked up in the equity trading account which opened on Monday.

The hardest blow, however, came just before Wall Street opened, with the news that the US trade deficit had jumped by about 44 per cent in June. The Footsie quickly dropped to 3,054.8, a turnround of 33 points since the early part of the trading session.

London feared the worst, but was proved wrong when the US bond market held up relatively well and the Dow Industrial Average also held steady to show a gain of 3.06 in UK trading hours. The Footsie staged a good recovery to close on a buoyant note in good turnover, although restrained by substantial falls in HSBC and similarly Far Eastern-oriented stocks.

Seaq volume remained high at 836.9m shares, if slightly below Wednesday's 887.1m; retail, or customer business jumped to £1.92bn on Wednesday as overseas investors bought heavily into UK equities.

Traders said that foreign investors had held back yesterday, while UK funds had switched their attention to the second line stocks. Non-Footsie shares made up around 62 per cent of the Seaq total, although the FT-SE Mid 250 Index dipped 8.9 to 3,486.0.

The international blue chip stocks had a difficult session as the US dollar came under pressure before finding support from the Federal Reserve. The drug sector held firm but saw little evidence of the renewed support from the US which has stimulated the sector's rally from its heavy setback.

Domestic, interest-related, issues moved erratically as a weaker session in the UK bond market challenged some of the optimism for base rate cuts.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ASDA Group	7,200	69	-1½
Abbey National†	3,900	395	-7
Albert Fisher	4,200	70	
Allied-Lyons†	2,900	606	+9
Anglian Water†	931	590	-1
Argos	773	388	-4
Argyll Group†	4,500	347	+5
Arjo Wiggins†	2,000	196	
Assoc. Brit. Foods†	00	598	+1
Ass. Brit. Ports	1,500	465	+8
BAA†	675	790	-2
BAT Inds.†	6,700	490	+6
BET	2,800	124	-1
Dalgety	1,000	494	+8
De La Rue†	484	705	+11
Dixons	1,100	228	+1
Eastern Elect.	122	630	-1
East Midland Elec.	135	528	-3
Eng China Clays	1,000	452	-11
Enterprise Oil†	1,000	431	-1
Eurotunnel Units	99	482	-4
FKI	88	162	+½
Fisons	2,200	179	
Foreign & Col. I.T.	1,500	259	-4
Forte†	2,100	235½	-1
MB Caradon†	3,000	318	-3
MEPC	944	492	-6
MFI	3,800	137	-2
Marwab	429	561	+1
Marks & Spencer†	5,800	370	-6
Midlands Elect.	132	592	-4
Morrison (Wm.)	358	152	-1
NFC†	1,200	272	+6
NatWest Bank†	5,700	482	+1
National Power†	2,500	363½	
Next	1,700	203½	-2½
North West Water†	1,000	527	-4
Siebe†	1,200	554	
Slough Ests	790	234	-4
Smith (W.H.) A	1,600	481	+2
Smith & Nephew†	1,900	146	-2½
SmKl Beecham†	3,700	454½	-2
SmKl Beecham Uts†	3,100	408½	-2
Smiths Inds.	729	389	-4
Southern Elect.	397	544	-1
South Wales Elect.	730	606	-4
South West Water	110	557	-5
South West Elect.	28	540	-4
Southern Water	384	580	-6

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Shares in HSBC savaged

THE MASSIVE rerating and upsurge in HSBC shares since the Hong Kong bank's July 1992 merger with Midland Bank, of the UK, was brought to a shuddering halt yesterday after the UK market reacted with dismay to much lower than expected profits from HSBC's Hong Kong subsidiary Hang Seng Bank.

The Hong Kong subsidiary posted profits up 17 per cent at HK$2.75bn, compared with HK$2.37bn, while the market had expected a profits rise in the region of 23 per cent. Hang Seng accompanied its results with a cautious review of prospects in the region.

HSBC is by far the largest of the UK-registered banks, measured by market capitalisation, dwarfing others such as Barclays, NatWest and Lloyds.

Some London-based analysts put on a brave face as market-makers savaged the HSBC share price. One said: "The market has not taken on board the fact that it was only recently that the Hong Kong banks began to lift the veil of secrecy that has surrounded their real profits for the last 60 years. There is a feeling that Hang Seng may have only declared something like 80 per cent of their real profits during the half year." The analyst added that a much clearer picture would emerge with Hang Seng's full-year numbers.

HSBC is scheduled to report interim results on August 31, with analysts previously looking for profits in excess of £1.25bn, up from £521m, boosted by the inclusion of profits from Midland Bank and the big shift in the value of the HK dollar against sterling.

HSBC shares, trading at 341p at the time of the Midland merger in July last year, subsided to 316p by last August before embarking on a remarkable run which took the share price up to a record 772p earlier this week. Yesterday it dropped 40, or 5.2 per cent, to 724p, with the Hong Kong-registered shares down 35 at 706p.

Turnover in HSBC 75p shares reached 13m, with more than 3m of the Hong Kong-registered shares changing hands.

The Hang Seng shock also jolted Standard Chartered shares from their upward tack. Worries that profits growth generated by the bank's Far Eastern businesses could slow saw Standard slide 25 to 964p.

Barclays in demand

The appointmant by Barclays of Mr Martin Taylor as its new chief executive as from January 1 next year triggered a burst of heavy buying in Barclays shares, which touched 494p at one point before ending 19 up at 491p.

Turnover in Barclays totalled 16m, wall above usual levels of activity and the highest single day's trade since the aftermath of the bank's first-ever preliminary loss and the halved dividend announced last March.

The appointment of Mr Taylor was described as "very good news" by one banks specialist, although be professed surprise at the extent of the share price rise. Mr Taylor is currently chairman and chief executive of Courtaulds Textiles. The latter's shares tumbled as the news came out, closing 15 lower at 548p on turnover of 1.5m.

The rise in Barclays came at the expense of other banks, notably Lloyds, which fell 10 to 535p on hefty turnover of 4.1m as some institutions switched between the two stocks.

BAe setback

Shares in British Aerospace came under pressure after Taiwan's vice-economics minister was quoted as saying that BAe's regional jets joint venture with Taiwan may not go ahead due to differences between BAe and local banks over its financing.

The reports sent the stock tumbling, and at the day's worst the shares were down 23 at 445p. A denial of problems in the negotiations from British Aerospace helped to steady nerves and the shares clawed back some of the earlier losse to finish 14 lighter at 454p on volume of 4m.

Mr Sandy Morris at NatWest Securities said: "The regional jets deal is no longer a make or break issue for BAe particularly after the disposal of the corporate jets business, but we belive the regional jets venture still has commercial logic and it will go through."

The heavy end of the building sectors came under sustained selling pressure, following bearish comments on the sector from Carr Kitcat & Aitken, the stockbroker, and following on from the rsther gloomy picture painted by Marley on Monday.

Redland, down 17 at 513p, and RMC, 18 lower at 795p, were the two main casualties in the sector, with Rugby 4 off at 278p and Marley 6 down at 157p.

BPB eased 2½ to 250p, after Philips & Drew Fund Management said it had reduced its holding to below the 3 per cent notifiable level.

Pilkington ordinary edged up to 152p and the warrants 2 to 52½p with some dealers taking the view that the Abu Dhabi Investment Authority had recently been reducing its stake in the ordinaries and increasing its holdings in the warrant.

Merchant banks and quoted market operators enjoyed another strong session with foreign cash chasing the stocks higher again in response to the continuing high level of stock market activity. SG Warburg, viewed by many as the London market's leading and most successful integrated securities house, raced up 9 more to a peak 813p while Kleinwort Benson, another of the City's most powerful integrated operations, jumped 8 to 507p, its highest level since the Great Crash of October 1987. Smith New Court added 8 to a peak 342p.

Prudential moved up 4 to 332p as insurance specialists began to focus on the group's poor performance against the market over the past month; "the shares are due a bounce after underperforming the market by over 12 per cent on the month and by almost 5 per cent in the past quarter," noted one specialist.

Among brewers, Jsmes Capel was said to have issued a buy recommendation for several of the stocks in the sector, though the agency broker refused to confirm the recommendation. Bass, was said to have been among the stocks included on the buy list. Sentiment in the stock was also helped by news that it had sold 46 pubs to Marston, Thompson & Evershed for £10.78m. The shares gained 5 to 511p.

A broker's recommendation together with a disposal combined to boost Hillsdown Holdings. Hoare Govett were said to have recommended the stock on yield considerations. The shares close 5 up at 171p.

Turnover in Cray Electronics shares leapt to over 18m after Sir Peter Michael, a former director, sold a total of almost 9m shares at 140p. The 9m was made up of his axisting holding of 3.4m shares and 5.6m shares acquired by the conversion of "A" and "B" Convertible shares. Cray shares edged up 2½ to 148½p.

Cadbury-Schweppes put on 10 to 501p, after it was recommended by SG Warburg, its joint broker. A food contamination scare in Australia weakened shares in United Biscuits and they fell 7 to 391p.

Shares in Granada Group bucked the market trend finishing 2 ahead at 446p, on reports of a recommendation from Kleinwort Benson.

Compass Group jumped 18 to 566p, after a recommendation from SG Warburg.

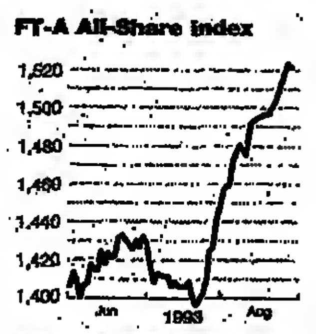
Fears for the dividend, together with profit taking combined to leave Lucas Industries 4 lighter at 158p.

Among transport stocks, shares in Dawson Group, jumped 50 to 303p, after it reported impressive interim figures.

MARKET REPORTERS:
Steve Thompson,
Joel Kibazo.

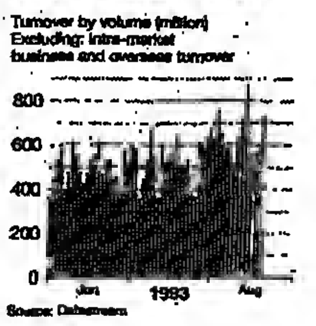
■ Other statistics, Page 16

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Source: Datastream

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (372). [illegible] ... TRANSPORT (9) Dawsongroup, Fisher (J), Nat. Express, ... Ocean, Powell Duffryn, WATER (2) Mid Kent, Welsh, MINES (4) Cape Range, ... Eastern Trans. Cons., Sthn. Pacific.

NEW LOWS (13). BRITISH FUNDS (3) Ex. 13½pc 1994, Tr. 10pc 1994, Tr. 14½pc 1994, AMERICANS (2) Bch. Steel, Gen. Host, ENG GEN (1) Ransomes, Do. Pf., HEALTH & HSEHOLD (2) Inacare, Tepnel Diagnstcs., HOTELS & LEIS (1) First Leis., INV TRUSTS (2) Baring Chrysalis C, Environmental, OIL & GAS (1) Hd Petm., SOUTH AFRICANS (1) NK Props.

FINANCIAL TIMES EQUITY INDICES

	Aug 19	Aug 18	Aug 17	Aug 16	Aug 13	Year ago	* High	* Low
Ordinary share	2394.5	2406.1	2366.2	2347.8	2360.7	1757.5	2406.1	2124.7
Ord. div. yield	3.85	3.84	3.90	3.94	3.92	5.11	4.52	3.84
Earning yld % full	4.55	4.53	4.70	4.75	4.72	7.40	6.36	4.53
P/E ratio net	28.08	28.16	27.16	26.93	27.09	17.00	28.16	19.40
P/E ratio nil	25.93	26.01	25.14	24.90	25.06	15.86	26.01	18.14
Gold Mines	201.5	197.0	198.8	198.3	190.4	82.4	249.2	60.0

*for 1993. Ordinary share index since compilation: high 2406.1 18/8/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83 - low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2406.8	2413.9	2410.5	2399.3	2399.4	2398.0	2398.1	2389.8	2381.5	2415.7	2388.5

Volume	Aug 19	Aug 18	Aug 17	Aug 16	Aug 13	Year ago
SEAQ Bargains	41,396	39,288	32,735	87,573	45,250	19,692
Equity Turnover(£m)†	-	1920.5	1428.7	1120.4	1553.5	822.7
Equity Bargains†	-	43,773	37,831	43,281	52,190	21,770
Shares traded (ml)†	-	735.3	581.5	564.8	690.8	378.1

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

Account Dealing Dates

*First Dealings:	Aug 2	Aug 16	Sep 6
Option Declarations:	Aug 12	Sep 2	Sep 16
Last Dealings:	Aug 13	Sep 3	Sep 17
Account Day:	Aug 23	Sep 13	Sep 27

*New time dealings may take place from two business days earlier.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
3065.5 -8.1	3486.0 -8.9	1521.01 -3.32

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	15.10	High/day	Low/day
FT-SE 100	3076.5	3086.0	3085.3	3068.2	3067.6	3065.5	3065.4	3057.2	3057.7	3086.2	3054.8
FT-SE Mid 250	3498.7	3501.5	3502.0	3494.5	3494.0	3493.5	3487.5	3485.5	3485.6	3502.5	3483.9
FT-SE-A 350	1537.7	1545.3	1545.2	1537.7	1537.5	1536.8	1532.1	1532.6	1530.7	1546.5	1531.8

Time of FT-SE 100 high: 9.50am, low: 2.15pm

FT-SE Actuaries 350 Industry Baskets

Equity	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	Change
Construction	2038.9	2044.0	2042.2	2042.2	2043.3	2042.5	2031.0	2032.8	2033.2	2033.2	2037.5	-4.3
Health & H	1055.7	1078.8	1070.4	1063.7	1064.9	1064.4	1057.0	1058.9	1068.0	1067.6	1067.5	+0.1
Water	1523.1	1513.6	1511.9	1507.4	1508.9	1511.0	1509.5	1507.7	1510.5	1512.3	1513.7	-1.4
Banks	1877.6	1879.5	1880.0	1862.2	1863.3	1863.7	1851.5	1850.1	1851.6	1849.8	1878.8	-29.2

LONDON SHARE SERVICE

BRITISH FUNDS / BRITISH FUNDS - Cont. / BRITISH FUNDS - Cont.

OTHER FIXED INTEREST

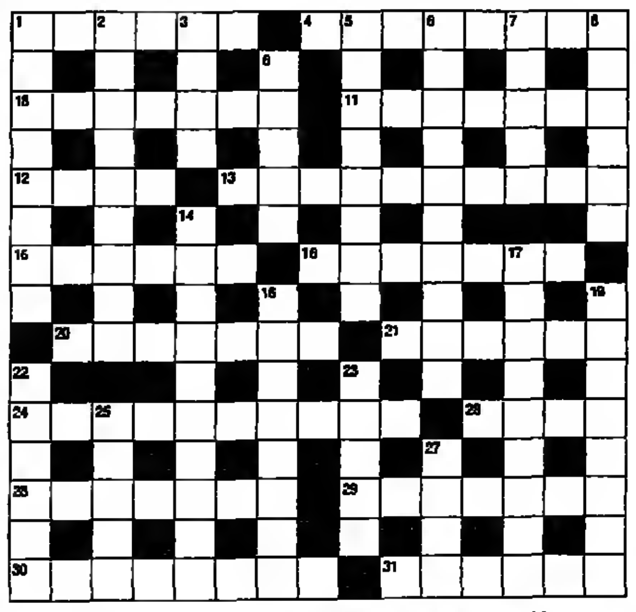
Continued on next page

CROSSWORD

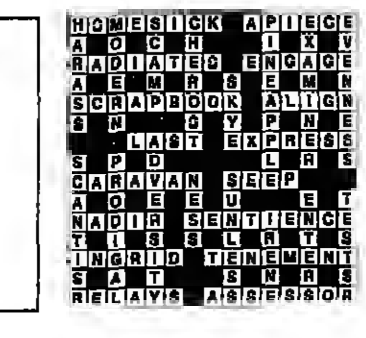
No.8,233 Set by GRIFFIN

ACROSS
1 Tread round old copper that's shot (6)
4 Pipe expert admitted being snubbed (8)
10 Foreign wife wants a ring so badly (7)
11 A pimp I'm deserting stops and hangs on (7)
12 Informer beard Kay managed to get back (4)
13 Beastly children love not going round sparkling (10)
15 Lives for sex – it's silly! (6)
16 Change gear and stop outside, furious (7)
20 Imprisoned by dragon is expected to worry! (7)
21 Having drink outside races further (6)
24 Makes sure when some sessions start (10)
26 Look, a rejected song (4)
28 Holding what's left of the coffee? (7)
29 Expert with gallery wanted synthetic fibre (7)
30 Sauce which naturists prefer to go without (8)
31 Backing group grabbing botel game (6)

DOWN
1 Get up stiff? (8)
2 Watching soldiers guarding, say (9)
3 Queen so upset by London statue (4)
5 Playing with divorcee before demanding much (8)
6 Not ready to become a boy scout? (10)
7 It's bad if gun rusts, for example (5)
8 Decides ignoramus has concealed plan (6)
9 Calls hospital – is unwell (5)
14 Travellers in train set to crash (10)
17 Join Tina Turner by harbour (9)
18 Killer takes two fools home (8)
19 Waves ruler during rest periods (8)
22 Beaten up in company, for example (6)
23 Ken's a rotten telltale (5)
25 Picked French thing (5)
27 Wife abandons WI, taking Lawrence on holiday (4)



Solution 8,232



JOTTER PAD

EQUITY FUTURES AND OPTIONS TRADING

TRADING volnmes remained high in the London derivatives markets yesterday but they drifted lower in the absence of the overseas demand seen in the previous session, writes Terry Byland.

In stock index futures, the September Footsie contract broke through 3,100, moving to a new trading peak of 3,201 in early trading, but this level was lost as it became clear that there was no follow-through to what had clearly been the buying orders in the overnight postbag.

A disappointing interim report from Hang Seng Bank, the Hong Kong subsidiary of HSBC, and then a substantial, and unexpected, rise in the US trade deficit, undermined both stock index futures and the underlying share prices. The September contract fell to 3,065 before steadying to close at 3,073, virtually in line with the fair value premium estimated at 4 points against the cash market. Turnover reached 12,374 contracts.

Volume in traded options dipped to 46,299 contracts from Wednesday's 74,157 as traders braced themselves for expiry today of the Footsie Index options. The Footsie Option traded 15,523 contracts and the Euro Footsie 5,549 yesterday.

Among individual stock options, British Gas stood oot with 3,553 contracts as investors continued to weigh the import of the report from the UK Monopolies and Mergers Commission.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs		17⅜xd	-1/32	20⅛	15⅝	14,384	2.7
Allegheny S W	♥	688p	—	722p	399p	358.5	2.5
Amdahl		249p	—	591p	302½p	391.8	1.0
Amer Cyanamid		32½	+⅛	38⅝	31¼	2,930	3.6
Amer Express		22¼xd	+⅛	22⅞	14½	10,707	3.0
Amer T & T		39⅛xd	-1⅛	43¼	33⅛	92,384	2.2
Ameritech		53⅝	-½	56⅛	48	23,479	4.6
BankAmerica		30½xd	-⅛	38⅛	27⅛	10,843	3.1
Bankers NY		51⅛xd	-⅛	54⅛	42⅝	4,150	4.0
Bell Atlantic		37½	-⅝	46⅛	32¼	18,182	4.9
BellSouth		38½	-⅝	38⅞	32⅞	17,989	5.1
Bethlehem Steel	♥	8⅞xd	-⅛	13¼	8⅞	803.3	—
Bowater		1345pxd	-18	1682p	1287p	467.4	1.8
CPC		29⅞xd	+1⅛	34⅝	26	4,439	2.9
California Engy		1232p	—	1479p	1060p	224.3	—
Chase Manhattan		22⅛xd	-⅛	24½	17⅞	3,482	3.6
Chrysler		27⅛xd	-1⅝	32⅛	21¼	8,126	1.4
Citicorp		21⅝xd	—	22⅛	13⅛	7,905	—
Colgate-Palm		33⅞xd	+1	45⅝	32	5,408	2.8
Cont'l Bank		1584p	+12	1677p	1273p	1,600	2.5
Dana		35⅞xd	-⅛	37⅛	29⅛	1,847	3.0
Data General		694p	+17	951p	527p	163.9	—
Decora Inds	♥	109p	—	146p	109p	—	—
Dun & Brad		39⅝	-⅛	42⅛	37⅛	7,062	4.2
Eaton		30⅛	—	31⅛	25⅛	2,113	2.6
Echlin		18⅞xd	-⅛	20½	15⅛	1,092	2.5
FPL		26⅞xd	-⅛	27⅝	23¼	4,780	6.3
Ford Motor		33⅛xd	-1⅝	38⅛	28⅛	16,168	2.0
Gen Elect		64⅛xd	-1	67⅛	53⅛	54,765	2.9
General Host	♥	470p	-11	723p	479p	—	5.0
Gillette		36⅛xd	+⅛	42⅝	31⅛	7,978	1.5
Hasbro		20⅞	—	20⅞	20⅞	1,819	0.8
Honeywell		25⅛xd	-⅛	26⅛	20⅛	3,459	2.4
Houston Inds		29⅞	-⅝	33⅛	28⅛	3,869	6.7
Ingersoll-Rand		24⅛xd	+⅛	25	19½	2,513	1.9

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ☆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- ‡ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
0 Figures based on prospectus or other official estimates.
c Cents.
I Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
g Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994.
8 Forecast annualised yield, p/e based on prospectus or other official estimates.
1 Figures assumed.
W Pro forma figures.
2 Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xδ ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring 081 643 7181 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT8846. [If calling from outside UK, dial +44 81 643 7181 or fax +44 81 770 3822] Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An international service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, *the bid price might be moved to the cancellation price* by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (▼) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

State Street Unit Trust Mngmt Ltd (1400)F

Stewart Ivory Unit Tst Mgrs Ltd (1200)H

Sun Alliance Unit Tst Mngmt Ltd (1200)F

Lazard Investors Ltd

Local Authorities Mutual Invest. Tst.*

M & G Securities Ltd

Merlin Jupiter Unit Trust Managers Ltd

Morgan Grenfell Investment Funds Ltd

Morgan Stanley International

Murray Johnstone UT Mngmt

INSURANCES

OTHER UK UNIT TRUSTS

Allied Dunbar Assurance Plc - Contd.

City of Westminster Assurance (z)

Friends Provident

Irish Life Assurance Co Plc

MGM Assurance (z)

Norwich Union Life Insurance Soc. - Contd.

Norwich Union Pensions Management Ltd

Pearl Assurance (Unit Funds) Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Prosperity Life Assurance Ltd

Provident Life Assoc. Ltd

Provident Mutual Life Assc. Assn.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Prudential Assurance Co
Holborn Bars, London EC1N 2NH 071-405 9222

Profund	Bid Price	Offer Price	+ or -	Yield Gross
Managed Aug 18	310.9	330.2	—	-

Prudential Corporate Pension Funds
85 King's Road, Reading RG1 3AH 0734 494852

Prudential Managed Funds	Bid Price	Offer Price	+ or -	Yield Gross
Discretionary Aug 11	£243.16	250.78	+2.78	-
Equity Aug 11	£271.53	281.07	+3.29	-
International Aug 11	£41.59	42.69	+0.55	-
Intl Bond Aug 11	£21.21	21.48	+0.31	-
Fixed Int Aug 11	£130.13	131.61	+1.40	-
Index Linked Aug 11	£94.63	95.85	+0.50	-
Property Aug 11	£111.19	117.34	-	-
Cash Aug 11	£31.78	32.78	+0.04	-
Pre-Linked Retirement Plan				
Managed Aug 11	565.40	589.00	-	-
Cash Aug 11	305.60	618.40	+0.18	-
Prudential Pensions Investment Account				
Pens Mngd	233.20	250.50	+2.90	-
Pens Mngd A	104.30	109.80	+1.20	-
Pens UK Eq	334.30	424.80	+8.10	-
Pens Intl	298.30	320.10	-0.50	-
Pens Global Eqty	132.80	139.80	+1.80	-
Pens Fixed	295.50	312.00	+0.80	-
Pens Index Lk	238.20	252.30	-0.20	-
Pens Property	90.40	95.20	-	-
Pens Cash	199.80	210.30	+0.12	-
Money Purchase Plan				
Discretionary (z)	134.40	144.10	+1.20	-
Equity (z)	138.90	149.50	+2.30	-
International (z)	135.20	144.20	-0.40	-
Global Equity (z)	137.30	147.40	+1.50	-
Intl Bond Feb (z)	147.20	154.80	-3.10	-
Fixed Interest (z)	147.20	154.80	-0.10	-
Index Linked (z)	131.00	151.70	-0.50	-
Property Feb (z)	101.20	111.20	+0.40	-
Cash (z)	115.50	121.20	—	-

Prudential Individual Life Funds
80 King's Road, Reading RG1 3AH 0734 494852

Scottish Amicable - Contd.

Others	Bid Price	Offer Price	+ or -	Yield Gross
Capital Guarantee Bond	104.8	110.2	-0.50	-

Scottish Equitable Life Assce. Soc.
28 St Andrew Sq, Edinburgh 031-556 9101

	Bid Price	Offer Price	+ or -	Yield Gross
Mixed	239.3	251.9	-2.1	-
UK Equity	227.1	239.0	-1.1	-
International	242.8	256.2	-2.0	-
American	237.8	250.3	-2.1	-
European	227.8	239.5	-0.5	-
Japan	259.7	273.4	-2.3	-
Pacific	337.5	355.1	-2.9	-
Technology	315.0	331.6	-1.2	-
Fixed Interest	182.2	191.8	+0.1	-
Indexed Linked	160.1	168.5	-	-
Foreign Bond/Currency	220.2	236.1	-1.4	-
Cash	173.002	182.948	+0.020	-
Ethical	122.5	128.9	+0.4	-
Pens Mixed	692.7	729.2	-8.0	-
Pens UK Equity	772.2	812.0	-3.7	-
Pens International	753.3	793.0	-4.8	-
Pens American	239.4	252.8	-1.7	-
Pens European	265.0	278.9	-1.5	-
Pens Japan	315.6	332.2	-3.2	-
Pens Pacific	385.3	405.6	+0.9	-
Pens Fixed Interest	371.2	390.7	-2.4	-
Pens Index Linked	198.0	209.1	—	-
Pens Cash	277.016	291.596	+0.031	-
Pens Property	213.62	224.86	-	-
Pens Ethical	154.5	167.1	+0.8	-
Edinburgh Inv	373.4	393.1	+3.5	0
Baillie Gifford Japan	260.1	273.8	-2.9	-

Scottish Life Investments
19 St Andrew Square, Edinburgh 031-225 2211

	Bid Price	Offer Price	+ or -	Yield Gross
Property	179.0	188.4	+0.1	-
UK Equity	337.6	355.7	-0.9	-
American	239.7	252.3	-1.7	-
Pacific	334.5	351.9	-1.6	-
European	430.3	453.0	+0.0	-
International	292.2	307.1	-1.0	-
Fixed Interest	242.8	255.5	-0.7	-

MANAGEMENT SERVICES

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Prudential Fund Managers (Jersey) Ltd

Royal Trust Jsy Fd Mngt Ltd (1400)F

Standard Bank Fund Mgmt (Jersey) Ltd

TSB Trust Funds (CI)

JERSEY (REGULATED)(**)

Barclays Inv Funds (Luxembourg)

CMI Asset Management (Luxembourg) SA

Latin American Securities Ltd (u)

Liberty ALL-STAR World Ptflo-Eqty Fd(u)

Lloyds Bank Luxembourg

Credit Lyonnais Rouse (Bermuda) Ltd

Credit Suisse

Rosenberg US Japan Mngmt Co SA (u)

Edmond de Rothschild Group

Citizens Investment Trust Mgt Co Ltd

Connaught Investments Ltd (Hong Kong)

Indosuez Asia Invest Services Ltd

Pacific Growth Fund

Pakistan Fund

Pequot International Fund Inc

Philippine Income Fund Inc

Portuguese Investment Fund Ltd

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

Yamaichi Capital Mngmt (Guernsey) Ltd

Thai Inv Fund	$13.82	+0.06	–

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % show for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. A Distribution free of UK taxes. ρ Periodic premium insurance plans. s Single premium insurance. ο Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities). ♦ Offered price includes all expenses except agent's commission. x Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡ Only available to charitable bodies. ◊ Yield column shows annualised rates of NAV increase. ad ex dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey Financial Services Commission; Ireland: Central Bank of Ireland; Isle of Man: Financial Supervision Commission; Jersey: Financial Services Department; Luxembourg: Institut Monetaire Luxembourgeois.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Yen plummets on intervention

THE YEN'S powerful rise against the dollar was dramatically reversed at the start of US trading yesterday after the Federal Reserve intervened four times in support of its own currency, *writes James Blitz*.

The Fed's intervention on dollar/yen came after a long period in which dealers had been led to believe that President Clinton's administration was indifferent to the decline in the exchange rate, prefering to see a fall in the Japanese trade surplus.

Both the timing and the intensity of the intervention took the market completely by surprise and triggered one of the sharpest moves seen in an exchange rate for a long time.

Between 1520 and 1730 London time, the dollar moved from Y101.70 to Y104.50, a drop of nearly three per cent in value as market players frantically squared long yen positions.

As London trading closed, the dollar's rise appeared to be showing no sign of levelling off. Dealers said that Fed intervention was well-timed and extremely aggressive.

Mr Lawrence Summers, one of the US Treasury Undersecretary, said yesterday that the recent rapid rise of the yen was causing concern because exchange rate volatility by itself could hamper world trade.

This remark was seen by one analyst as an important new indication that the US does not want to see any further rise in the currency.

However, other analysts said that the Fed's intervention may mask deeper intent.

Mr Steve Hannah, head of research at IBJ International in London, said that the Fed may have started to get concerned by the inflationary consequences of a weak dollar.

Alternatively, a deal may have been done behind the scenes by which the Japanese will give the US greater access to its markets in return for currency support.

The results of Thursday's cabinet meeting indicate that Japan may be about to give way to US demands on a number of issues. "A fiscal stimulation package is quite likely this autumn and so is a cut in the discount rate," said one analyst.

European trading was dominated by another sharp rise in the value of the franc, which rose more than 2 centimes on the day to close at FFr3.495 against the D-Mark.

Another cut in the Bank of France's overnight lending rate, this time by ¼ a percentage point, may have been one cause for the franc's rise.

But several bank dealers spoke of US hedge funds buying back the franc in recent days in an attempt to square their positions in the wake of recent speculation. One analyst spoke of having seen "reasonably-sized" flows from US hedge funds yesterday.

Other currencies also profited on a day of D-Mark weakness. The dollar was nearly ½ a pfennig higher at DM1.6865. Sterling closed ¼ a pfennig down at DM2.5400.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Aug 19	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator†
Dutch Guilder	2.19672	2.16278	-1.55	7.63	-
D-Mark	1.94964	1.92236	-1.37	7.44	-
Irish Punt	0.808628	0.814101	0.68	5.18	-5
Belgian Franc	40.2123	40.5814	0.92	5.00	-7
Portuguese Escudo	192.854	196.316	1.80	4.10	-12
Spanish Peseta	154.250	157.406	2.05	3.84	-14
French Franc	6.53883	6.73294	2.97	2.91	-35
Danish Krone	7.43679	7.88058	5.97	0.00	-41

[illegible]

£ IN NEW YORK

[illegible]

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

Aug 19	£		$	
Greece	384.850 - [illegible]		[illegible]	
Hong Kong	11.7390 - 11.7518		[illegible]	
Iran	2365.00 - 2375.00		1580.00	1594.00
Korea(Sth)	1216.90 - 1236.15		806.70 - 811.00	
Kuwait	0.45525 - 0.45625		0.30050 - 0.30100	
Luxembourg	53.15 - 53.25		35.30 - 35.40	
Malaysia	3.8520 - 3.8595		2.5475 - 2.5485	
Mexico	4.7110 - 4.7140		3.1085 - 3.1105	
N.Zealand	2.7285 - 2.7315		1.8005 - 1.8025	
Saudi Ar	5.6680 - 5.6795		[illegible]	
Singapore	[illegible]		[illegible]	
S.Af (Cm)	5.0765 - 5.0875		[illegible]	
S.Af (Fn)	7.0470 - 7.0825		4.6500 - 4.6600	
Taiwan	40.75 - 40.90		26.90 - 27.00	
U.A.E.	5.5510 - 5.5625		3.6715 - 3.6735	

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

Aug 19	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C $	B Fr.	Pta	Ecu
£	1	1.505	2.540	156.7	8.877	2.235	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
$	0.664	1	1.686	104.1	5.896	1.485	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM	0.394	0.593	1	61.69	3.495	0.880	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
YEN	6.382	9.604	16.21	1000	56.66	14.28	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr.	1.127	1.695	2.861	176.5	10	2.519	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
S Fr.	0.447	0.673	1.136	70.11	3.972	1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
N Fl.	[illegible]	[illegible]	[illegible]	54.82	3.103	0.782	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lira	[illegible]	[illegible]	[illegible]	[illegible]	3.297	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $	[illegible]	[illegible]	[illegible]	[illegible]	4.474	1.127	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B Fr.	[illegible]	[illegible]	[illegible]	294.5	16.66	4.201	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pta	0.484	0.729	1.230	75.88	4.299	1.082	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu	0.751	1.131	1.908	117.7	6.669	1.679	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

MONEY MARKETS

Overnight cut again

THERE were signs of a small softening in European interest rates yesterday with France, Portugal and Finland all easing monetary policy, *writes James Blitz*.

At the start of the day, the Bank of France cut its overnight rate of lending for the second time this week, reducing it from 8.75 per cent to 8.25 per cent.

The franc has performed quite strongly inside the reformed exchange rate mechanism in recent days allowing the French authorities to ease monetary policy without fear of endangering the currency.

UK clearing bank base lending rate 6 per cent from January 26, 1993

The news led to a rise in French franc interest rate futures. The September franc contract rose 8 basis points to close at 93.16, while the December contract was up 7 to close at 94.28. Three month French francs dropped sharply to about 7.07 per cent on the bid side at the close of trading from an earlier 8.00 per cent.

One dealer suggested that one more cut in the overnight rate, to 7.75 per cent, would be enough to trigger moves in the more internationally sensitive official rates. He recalled that the 5-10 day lending rate was at 7.75 per cent before the recent hike to 10 per cent - and that it could soon be lowered to that level again.

In Germany the figures for M3 money supply growth for July had little impact on the market coming in below expectations at 7.5 per cent from 7.0 per cent in June.

Dealers expected that the August figure, which would comprise heavy intervention to support the franc, would come in a good deal higher. But December Euromark futures were down only 4 basis points yesterday to close at 93.36.

Sterling futures continued to fall on the back of Wednesday's comments from a UK government minister that another interest rate cut should not be anticipated.

The September short sterling contract dropped 1 basis point to close at 94.15.

Lower expectations of a rate cut were also reflected in the cash yield curve. Although 3 month money was unchanged at 5¾ per cent, both 6 month and 1 year cash rate were slightly higher, with the latter closing at 5⅞ per cent from a previous close of 5[illegible] per cent.

In the discount market, there was a large shortage of £1,450m, which was difficult to remove. There was late assistance of £550m and the overnight rate peaked at 7.50 per cent.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	•Nykredit Mortgage Bank	6.5
•Henry Ansbacher	6	Exeter Bank Limited	7	•Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Roxburghe Bank Ltd	6
Bank of Baroda	6	•Robert Fleming & Co	6	Royal Bk of Scotland	6
Banco Bilbao Vizcaya	6	Girobank	6	•Smith & Williamson Secs	6
Bank of Cyprus	6	•Guinness Mahon	6	Standard Chartered	6
Bank of Ireland	6	Habib Bank AG Zurich	6	TSB	6
Bank of India	6	•Hambros Bank	6	•United Bk of Kuwait	6
Bank of Scotland	6	Heritable & Gen Inv Bk	6	Unity Trust Bank Plc	6
Barclays Bank	6	•Hill Samuel	6	Western Trust	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Whiteaway Laidlaw	6
•Brown Shipley	6	Hongkong & Shanghai	6	Wimbledon & Sth West	7
CL Bank Nederland	6	Julian Hodge Bank	6	Yorkshire Bank	6
Citibank NA	6	•Leopold Joseph & Sons	6		
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

• Members of British Merchant Banking & Securities Houses Association

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · GERMANY · ITALY · NETHERLANDS · NORWAY · SPAIN · SWEDEN · SWITZERLAND · SOUTH AFRICA

[illegible]

JAPAN · AUSTRALIA · HONG KONG · MALAYSIA · SINGAPORE

[illegible]

CANADA

TORONTO

4 pm close August 19

Quotations in cents unless marked $

[illegible]

Total Sales 24,707,896 shares.

MONTREAL

4 pm close August 19

[illegible]

INDICES

NEW YORK DOW JONES

[illegible]

STANDARD AND POOR'S

[illegible]

NEW YORK ACTIVE STOCKS · TRADING ACTIVITY

[illegible]

CANADA TORONTO

[illegible]

	Aug 19	Aug 18	Aug 17	Aug 16	1993 HIGH	1993 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1928.3	1894.7	1885.1	1870.1	1928.30 (19/8)	1495.00 (13/1)
All Mining (1/1/80)	888.0	866.3	869.7	858.1	904.50 (2/8)	584.70 (13/1)
AUSTRIA						
Credit Aktien (30/12/84)	398.80	397.31	392.84	385.60	399.63 (12/8)	300.26 (14/1)
Traded Index (2/1/91)	999.36	994.23	980.77	988.63	1009.70 (10/8)	712.06 (15/1)
BELGIUM						
BEL20 (1/1/91)	1356.10	1360.59	1357.59	(c)	1365.70 (12/8)	1125.46 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	340.58	332.64	331.50	331.22	340.58 (19/8)	261.90 (4/1)
FINLAND						
HEX General (28/12/90)	1492.9	1489.6	1447.1	1427.9	1492.90 (19/8)	842.10 (22/1)
FRANCE						
CAC General (31/12/81)	590.29	585.40	584.61	(c)	590.29 (19/8)	471.24 (13/1)
CAC 40 (31/12/87)	2139.20	2160.75	2136.29	(c)	2167.38 (11/8)	1772.21 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	746.06	744.61	735.92	739.52	746.06 (19/8)	588.92 (14/1)
Commerzbank (1/12/53)	2123.80	2120.50	2089.90	2106.1	2123.80 (18/8)	1694.30 (14/1)
DAX (30/12/87)	1938.98	1835.72	1810.17	1912.18	1938.98 (18/8)	1516.50 (13/1)
HONG KONG						
Hang Seng Bank (31/7/64)	7605.26	7580.97	7528.79	7488.49	7605.26 (19/8)	5437.80 (4/1)
IRELAND						
ISEQ Overall (4/1/88)	1754.84	1745.86	1717.83	1718.72	1754.94 (19/8)	1191.19 (11/1)
ITALY						
Banca Com. Ital. (1972)	617.60	618.98	608.25	583.04	618.98 (18/8)	446.33 (6/1)
MIB General (4/1/93)	1369.0	1362.0	1336.0	1305.0	1362.00 (18/8)	992.00 (11/1)
JAPAN						
Nikkei (16/5/49)	20687.47	20773.18	20841.95	20931.49	21076.00 (3/6)	16287.45 (25/1)
Tokyo SE (Topix) (4/1/68)	1664.76	1675.86	1681.73	1688.04	1638.04 (16/8)	1250.06 (25/1)
2nd Section (4/1/68)	2245.47	2254.13	2260.16	2262.67	2384.97 (7/6)	1651.72 (26/1)
MALAYSIA						
KLSE Composite (4/4/86)	798.82	791.02	784.91	772.76	739.82 (19/8)	614.29 (13/1)
NETHERLANDS						
CBS Tr.Rtn.Gen.(End 1983)	376.3	376.0	373.0	373.0	376.30 (19/8)	295.70 (4/1)
CBS All Shr (End 1983)	246.9	246.7	244.6	244.9	248.90 (19/8)	195.60 (13/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	848.94	969.91	961.76	974.20	979.17 (13/5)	669.93 (27/1)
PHILIPPINES						
Manila Comp (2/1/85)	1760.94	1767.60	1775.10	1763.06	1793.30 (3/6)	1270.66 (4/1)
SINGAPORE						
SES All-Singapore (2/4/75)	494.37	493.98	497.23	485.67	494.37 (19/8)	394.10 (13/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1799.0♥	1757.0	1754.0	1747.0	2099.00 (30/7)	775.00 (5/1)
JSE Industrial (28/9/78)	4618.0♥	4568.0	4542.0	4529.0	4779.00 (6/7)	4333.00 (13/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	737.97	713.18	688.94	691.67	777.25 (9/6)	605.93 (6/3)
SPAIN						
Madrid SE (30/12/85)	290.39	290.48	286.86	(c)	290.46 (15/3)	215.60 (4/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1326.3	1339.1	1301.9	1295.0	1339.10 (18/8)	879.10 (28/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	1070.1	1072.0	1054.1	1068.1	1072.00 (18/8)	904.80 (11/1)
SBC General (1/4/87)	852.00	853.20	846.70	850.5	853.20 (18/8)	678.70 (11/1)
TAIWAN**						
Weighted Price (30/6/66)	4093.41	4104.75	4122.16	4118.60	5013.28 (7/4)	3098.43 (9/1)
THAILAND						
Bangkok SET (30/4/75)	955.35	958.01	945.62	954.29	998.44 (25/1)	818.04 (1/6)
WORLD						
M.S. Capital Intl.(1/1/70) $	601.6*	600.6	596.9	595.6	601.60 (18/8)	486.60 (13/1)
Euro Top-100 (26/6/90)	1128.10	1132.14	1114.79	1107.43	1132.14 (18/8)	862.73 (13/1)

**Saturday August 14. Taiwan Weighted Price 4121.54, Korea Comp Ex 686.67

♥ Subject to official recalculation.

*Calculated at 15.00 GMT

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX - 1,000, JSE Gold - 255.7, JSE 25 Industrials - 264.3 and Australia All Ordinary and Mining - 500; (c) Closed. (u) Unavailable

... Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♠ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

TOKYO - Most Active Stocks

Thursday, August 19, 1993

	Stocks Traded	Closing Prices	Change on day
Ricoh	6.7m	799	+20
Sekisui Corp	4.3m	886	+30
Nippon Steel	3.7m	380	
Nippon Express	3.6m	1,120	+20
Cosmo Sec	3.6m	496	
Isetan	3.2m	1,820	
Kumagai Gumi	3.0m	1,260	
Toyota Motor	2.7m	1,830	-10
Credit Saison	2.6m	2,710	-20
Bando Chem Inds	2.3m	633	+4

4 pm close August 19

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
14 5/8	11 1/2	AAR Corp	0.48	3.6	75	109	13 5/8	13 1/4	13 1/2	
29 3/8	13 3/4	A L Labs A	0.16	1.0	35	609	18 1/2	15 3/4	18 3/4	-1/4
65 7/8	54 5/8	AMP Inc	1.60	2.4	22	1711	65 5/8	65 1/8	65 5/8	+1/2
72 3/4	55 1/2	AMR			17	3676	66 3/4	65 1/2	65 5/8	
2 7/8	1 1/2	ARX			18	3692	u3 1/8	3	3	+1/8
51 1/2	29 7/8	ASA	2.00	4.4	29	327	45 1/8	44 1/2	45	
30 1/2	22 5/8	Abbott Lab	0.68	2.6	16	11409	26 1/4	25 7/8	26 1/8	+1/2
12 5/8	9 1/2	Abitibi Pr	0.50	5.1	4	5	9 3/4	9 3/4	9 3/4	-1/8
15 1/4	8 1/4	Acptncein			46	162	15	14 3/4	14 7/8	-1/4
33 1/2	25 1/2	ACE Ltd	0.40	1.1		629	u35 7/8	33 3/4	35 3/8	+1 7/8
12	10 3/4	ACM Gvt In x	0.96	6.5		309	11 1/4	11 1/8	11 1/8	+1/8
10	9 1/8	ACM GvOpp x	0.60	6.0		59	u10	9 7/8	10	+1/8
9 7/8	9 3/4	ACM Gvt Sp	0.50	6.7		739	9 1/4	9 1/4	9 1/8	
11 5/8	10 1/2	ACM Gvt Se	0.96	8.3		692	11	10 7/8	10 7/8	-1/8
11 5/8	9 5/8	ACM Man x	1.06	9.5		144	11 1/8	11 1/4	11 1/8	
9 7/8	8 5/8	ACM MuniSec	0.72	7.8		274	9 1/4	9 1/8	9 1/4	
12 7/8	7 3/4	Acme Cleve	0.44	4.0	14	20	11 1/8	10 7/8	11	
9 1/4	6 1/2	Acme Elect			245	75	7 1/2	6 3/4	7 1/2	+1/2
25 1/2	18 5/8	Acordia	0.44	1.8	14	17	25 1/8	25 1/8	25 1/8	
16	10 5/8	Acuson			32	255	12	11 5/8	11 5/8	
21 3/4	18 3/4	Adams Expr	0.48	2.5	0	359	19 1/2	d19	19 1/8	-1/2
66 1/8	45 1/2	Ad Micro	3.00	4.7		397	65 1/2	63 1/2	63 1/2	-3/4
32 3/4	17 5/8	Ad Micro P	3.00	10.0	11	10272	32	30	30	-1 7/8
7 3/4	5 1/2	Advest Grp	0.16	2.4	11	105	6 7/8	6 1/2	6 3/4	-1/8
24 3/4	16 1/4	Advo Inc	0.05	0.5	19	712	17 1/2	17 1/4	17 1/2	+1/8
49 3/8	31 1/2	Aegon ADR	2.95	6.1	9	39	48 1/4	47 7/8	48 1/8	-1/8
60 1/2	43 3/8	Aetna Lf	2.76	4.7	40	1179	58 3/8	57 3/8	58 1/8	-1/4
14 1/2	11 1/2	AffilA	0.26	1.5	30	1375	14 1/2	14 1/4	14 1/2	+1/8
33 1/2	26 1/2	Aflac	0.40	1.3	16	1323	31 3/8	32 1/2	31 1/2	+1/2
22 1/4	18 1/2	Ahmanson	0.88	4.5	22	398	19 1/2	19 3/8	19 1/2	
[illegible]										

- A - (continued) [illegible]

- B - [illegible]

- C - [illegible]

- D - [illegible]

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- F - [illegible]

- G - [illegible]

- H - [illegible]

- I - [illegible]

- J - [illegible]

- K - [illegible]

- L - [illegible]

- M - [illegible]

- N - [illegible]

- O - [illegible]

- P - Q - [illegible]

- R - [illegible]

Continued on next page

4 pm close August 19

NYSE COMPOSITE PRICES

Continued from previous page

- S -

1993 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
22	15½	S Anita Rt	1.36	8.2	14	135	17	16⅝	16⅝	
20¼	15	SCOR US Cp	0.32	2.2	165	76	15	d14⅞	14⅞	-⅛
29¾	20	SPS Techno	1.36	4.5	21	14	28½	28½	28½	-⅛
14½	12⅞	Sabine Rt x	1.80	12.6	10	49	14¼	14⅛	14¼	+¼
13¾	8⅞	Safecard	0.20	1.6	12	34	12⅞	12⅝	12¾	-⅛
23½	18⅞	Safeg'd Sc			10	94	21⅞	21½	21¾	-⅛
24¾	14⅜	SafetyKln	0.30	2.3	23	1758	15⅝	15⅜	15⅜	-⅛
18¾	10⅞	Safeway			28	2546	18¾	18⅛	18¼	+⅛
4⅞	2	Safeway Wt				257	4	4	4	+⅛
44½	37½	StJoePaper	0.20	0.5	125	32	43¾	42¾	42¾	-⅝
37¾	31	StJoeL&P	1.76	4.8	14	13	36⅝	36⅜	36⅝	+⅜
91	75	St Paul's	2.80	3.1	14	469	90½	89¾	89¾	-¼
11⅛	7⅞	Salant Crp			5	37	9⅜	9	9⅜	+½
75¼	39⅞	Sallie Mae	1.20	2.6	10	3258	47	46⅛	46⅛	-⅞
14	13	Salomon Br	0.32	2.3		238	u14	13¾	14	+⅛
49⅞	34	Salomoninc	0.64	1.3	12	2472	49⅞	49	49⅞	
22	23¼	SanDgo G&E	1.48	5.5	14	310	26⅞	26⅝	26¾	+⅛
4⅞	3½	SantaFeEDu	0.40	10.7	37	19	3⅞	3¾	3¾	
11⅞	9⅛	SantaFeERs	0.18	1.6	500	844	10¼	10	10	-¼
40¾	36¾	SantaFePac	2.80	7.6	12	775	37½	36⅞	37	
18⅞	12¾	SantaFPac	0.10	0.5	12	5268	u19	18¾	18¾	
31⅛	21	Sara Lee	0.58	2.2	18	10632	26⅛	25¾	26⅞	+¾
60½	40⅛	Scana Corp	2.74	0.9	15	941	60⅛	59	59	
24⅞	21½	Scecorp	1.42	5.9	14	3936	24¼	24⅛	24⅛	
38⅞	23⅞	SchererRP			29	592	29	28¾	28¾	+¾
70⅞	61¾	ScheringPl	1.80	2.8	15	6120	63⅞	62¾	62¾	-¾
68⅞	55⅛	Sch'berger	1.20	1.8	25	11173	66¼	63¾	66¼	+2½
31¾	16½	Schwab(C)	0.20	0.7	18	1736	30⅞	30	30¾	+⅝
7¾	5⅝	Schweitzer			41	73	7⅛	7	7⅛	
35	17⅞	SciAtl	0.12	0.4	48	1273	32⅝	32	32	+⅛
13¾	9⅛	Scotsman	0.10	0.0	13	3	12⅞	12¾	12¾	

- X - Y - Z -

1993 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
38⅞	70¼	Xerox	3.00	4.0	28	3278	75¼	74¼	75	+⅞
55½	51½	Xerox4 125	4.12	7.5		2	54¾	54¾	54¾	
50½	31¾	Xtra Corp	0.48	1.0	19	1982	47⅞	47⅛	47½	+⅛
28	19½	Yankee Egy	1.18	4.8	15	32	25⅞	25⅞	25⅝	-⅝
1¾	¾	Zapata			14	3751	1⅛	1	1	-¼
10½	5⅞	ZenithElec			1	310	6⅞	6¾	6¾	
29¾	19⅝	Zenith NtA	1.00	3.6	18	3	27⅞	27⅞	27⅞	-⅛
8	6½	Zenix Inc x	0.82	10.4		286	7⅞	7¾	7⅞	+⅛
15¼	12⅝	Zero Corp	0.40	2.8	18	68	14⅝	14½	14½	-⅛
40¾	30⅛	Zurn Ind	0.88	2.0	13	108	31⅞	31⅝	31⅞	+½
13¼	12⅝	Zweig Fund	1.12	0.6		108	13⅛	13	13	-⅛
10¾	8⅞	Zweig Totl x	0.96	0.9		588	u10¾	10⅝	10¾	

Price data supplied by Telekurs

NASDAQ NATIONAL MARKET

4 pm close August 19

AMEX COMPOSITE PRICES

4 pm close August 19

AMERICA

Dow struggles as data leave impetus lacking

Wall Street

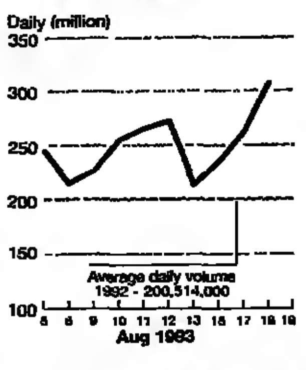
US STOCK markets struggled to build on Wednesday's record-breaking gains as unexpectedly bad trade figures and profit-taking left prices mixed across the board, *writes Patrick Harverson in New York.*

At 1 pm, the Dow Jones Industrial Average was down 0.56 at 3,604.30. The more broadly based Standard & Poor's 500 was 0.1 firmer at 456.05, while the Amex composite was up 1.62 at 448.25, and the Nasdaq composite down 2.54 at 732.29. Trading volume on the NYSE was 176m shares by 1 pm.

Trading was more subdued at the opening after the previous day's active session. Profit-taking led to early declines as the markets digested midweek gains, but sentiment remained unchanged.

The latest economic news, however, was not helpful. The widening in the June trade deficit from $8.4bn to $12.1bn – the largest shortfall since October 1987 – was worrying, because the increase in the deficit was primarily the result of a sharp fall in exports.

NYSE volume



The decline in export sales led analysts to warn that the second quarter gross domestic product figures would probably have to be revised downward.

Stocks probably would have fallen further but for the continued strength in bond prices.

The benchmark 30-year bond rose another quarter of a point yesterday morning, pushing the yield down to 6.234 per cent, the lowest point in the issue's 16-year history.

Leading pharmaceutical and consumer stocks were in demand for a second consecutive day. Merck rose $⅞ to $33⅝, Schering-Plough added $¼ at $63¼, Johnson & Johnson put on $¼ at $40¼ and Bristol-Myers Squibb firmed $¾ to $57¼.

Among consumer stocks, Philip Morris added $¼ at $50⅜, Coca-Cola rose $¼ to $43, and Pepsico rose $⅞ to $39⅞.

Motor and airline stocks, which ran into selling earlier this week, rebounded. General Motors climbed $1⅛ to $45⅞, Ford added $⅝ at $50⅝, and Chrysler rose $½ to $42½. UAL firmed $1½ to $146, Delta added $⅝ at $52⅞ and AMR, parent of American Airlines, put on $¼ at $65⅞.

AT&T, which announced the $12bn acquisition of McCaw Cellular at the start of the week, was hit hard by profit-taking, falling $2 to $57⅞ in volume of 3m shares. McCaw, traded on the Nasdaq market, also suffered, falling $1¼ to $53¼.

General Electric eased $⅛ to $97 in busy trading on reports that the company will cut 4,000 workers from its Ohio jet division as part of an overall plan for workforce reduction.

SAO PAULO was 6 per cent higher at midsession in reaction to a rerating of Telebras and congress approval of President Itamar Franco's policy on salaries, which may help to control inflation in Brazil.

The Bovespa index gained 4,681.17 at 84,215.23 in turnover of some Cr8.6bn.

Canada

EUROPEAN concerns with the Middle East and gold cut little ice in Toronto where the gold and silver index opened a shade higher at 9,279, but then subsided by around 100 points by midsession.

The TSE 300 composite index was up 1.36 at 4,070.67 at noon, gold losses balanced by gains in the oil and gas, and industrial products sectors.

Volume had fallen by that stage from 31.9m shares to 24.4m in turnover of C$287m. Declines led advances by 290 to 278 with 298 unchanged.

EUROPE

Bourses more pensive after recent gains

BOURSES faltered a little yesterday after an early attempt at flying higher, *writes Our Markets Staff.*

They had cause. News of US warplanes bombing northern Iraq sent bullion prices higher, and German M3 grew by 7.5 per cent in July after 7 per cent in June. Some investors were also worried that laggard stocks and sectors had been prominent in recent gains, indicating that a correction might be around the corner.

However, strategists seemed inclined to stay on board. Mr Marcus Grubb, at Salomon Brothers in London, said that on average, most European bourses were trading on yield ratios (bond yields to dividend yields) which are cheap by a factor of 15 to 40 per cent compared with ten year averages. The cheapest markets, he said, were Italy, Spain and France.

FRANKFURT inched to another 1993 closing high, the DAX index rising 3.26 to 1,938.98 after an intraday 1,946.39. The M3 figures, coming after hours, seemed mostly built into brokers' calculations; the Ibis indicated DAX eased only 1.14 to 1,937.84 in the post-bourse.

Turnover eased from DM10.4bn to DM10.2bn. Engineers, steels and carmakers, in the van of this year's gains, mostly showed falls although BMW, an underperformer for much of this year, rose DM5 to DM574. Utilities, also underperformers, rose too, RWE by DM6.30 to DM426.50 and Viag by DM8 to DM458.50.

Schering, which has changed categories this month, rose another DM36 to DM997 on prospects for its Betaseron drug, up by DM167, or 20 per cent this month against a 7.5 per cent DAX index gain.

PARIS fell back by 1 per cent as investors ignored a further slight easing in the 24 hour lending rate. The CAC-40 index, however, managed a last minute improvement from the day's low of 2,131 to end down 21.55 at 2,139.20.

Turnover was some FFr3.8bn. Alcatel Alsthom remained at the top of the most actives even although the South Korean authorities delayed further an announcement on the award of the railway contract. The shares added FFr9 to FFr734 in heavy turnover of FFr468m.

Lafarge Coppee slipped FFr17.20 to FFr439 in reaction, analysts said, to a media report that it may bid for a Belgian cement group. The company denied the story later.

AMSTERDAM encountered some profit-taking although Elsevier showed a 4 per cent gain, the shares rising Fl 5.60 to Fl 144.00, a new year's high, on reports that it may acquire the Official Airline Guides of the US, formerly owned by Maxwell Communications.

The CBS Tendency index fell 0.3 to 128.5. The strength in Elsevier helped other sector stocks with VNU up Fl 1.80 to Fl 140.80, another year's high, and Wolters Kluwer gaining Fl 1.90 to Fl 96.

ZURICH ended mixed and quiet, the SMI index easing 6.0 to 2,481.2. In cyclicals, Brown Boveri came under pressure; yesterday's first-half results from ABB Asea Brown Boveri were marginally above with expectations, said Mr Frederick Hasslauer at Swiss Volksbank, but BBC bearers fell SFr18 to SFr931.

MILAN saw profit-taking in spite of a good run in telecommunications. The Comit index lost 1.38 to 617.60.

Interest was shown in Sip on reports that its cellular telephone operation might be sold by next spring. Its shares gained L52 to L3,579, as Stet advanced L76 to L4,476.

MADRID stayed bullish, if more restrained with the general index rising another 1.50 to 291.96. Blue chips were mixed across the board, Telefónica standing out with a gain of Pta55 to Pta1,615 after the AT&T bid for McCaw Cellular in the US. LISBON climbed to a new 1993 high, its index rising 0.9 per cent to 1,109.01 as foreign investors bought blue chip stocks.

COPENHAGEN's KFX index continued to pull ahead, gaining 2.74 to a new 1993 high of 100.73. Banks led the gains, Den Danske bank rising DKr17 to DKr392 on satisfaction with its half year results.

STOCKHOLM fell back, the Affärsvärlden general index losing 12.9 to 1,326 in heavy turnover of SKr2.9bn. Reaction to Ericsson's half year results saw the B recover from an intraday low of SKr367 to SKr376, off SKr1.

OSLO lost 2.2 per cent on profit-taking, leaving the composite index down 12.85 at 573.52 in turnover of NKr731m.

ISTANBUL gained 4.5 per cent as investors returned to equities after a further fall in interest rates. The composite index put on 466.8 to 10,915 in turnover of some TL1,200bn.

FT-SE Actuaries Share Indices

August 19								THE EUROPEAN SERIES
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1310.93	1310.71	1308.99	1305.99	1305.73	1304.18	1303.76	1304.07
FT-SE Eurotrack 200	1397.94	1395.91	1391.08	1391.56	1391.46	1388.87	1387.19	1385.51

	Aug 18	Aug 17	Aug 16	Aug 13	Aug 12
FT-SE Eurotrack 100	1303.09	1284.89	1276.32	1276.24	1280.84
FT-SE Eurotrack 200	1387.63	1368.15	1359.35	1354.67	1359.88

Base value 1000 (26/10/90) Highday: 100 - 1311.91, 200 - 1398.17 Lowday: 100 - 1302.98 200 - 1385.51.

China worries fail to halt Hong Kong's rise

Simon Davies discusses the issues which have helped drive the equity market higher

Hong Kong equities are enjoying an impressive performance this month. The Hang Seng index registered its fifth consecutive record high yesterday on expectation of strong corporate results from the major index stocks.

The index closed yesterday at 7,605.26, up 38 per cent so far this year; most brokers now expect it to break through the 8,000 barrier by the year-end. After hours in London, the index gained a further 21 points.

While confidence took a slight blow yesterday, as Hang Seng Bank, a subsidiary of HSBC, announced disappointing results and warned of difficult economic conditions during the next 12 months, brokers do not expect this to have a negative effect on sentiment. Hang Seng Bank lost 50 cents to HK$61.

Gone are the worries over the impact of the Chinese austerity measures announced early last month, and concern regarding the continuing Anglo-Chinese stand-off over the political blueprint of Mr Chris Patten, the governor of Hong Kong; and back is a flood of international money eager to find reasonably valued stock markets which have expectations of high corporate earnings growth.

"Over the next four months, I think the index will reach 8,200," says Mr Adrian Faure, research director at Baring Securities. "It got to 7,500 because of strong corporate earnings, which will underpin this market. It will hit 8,200 on announcements on the airport project, the container terminal scheme and political agreement."

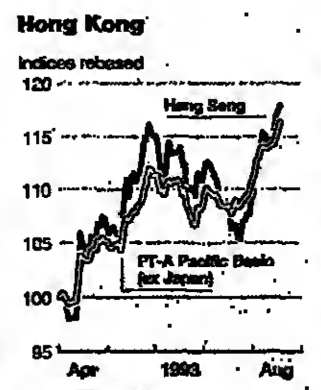
Investors have reassured themselves that the direct impact of a slowdown in the Chinese economy on listed companies' earnings will be minimal, since Chinese investments will account for below 3 per cent of current year earnings for constituent stocks of the Hang Seng index.

They are confident now that, regardless of the performance of China's economy, the reform programme will continue unimpaired under the patronage of Mr Zhu Rongji, vice-premier in charge of the economy.

Based on the forecasts of broker S.G. Warburg, the index is currently on a 1993 p/e ratio of 13.1. This remains the cheapest in south-east Asia, compared with 15.4 for Thailand's SET index and 19 for Singapore's Straits Times Industrial index.

In addition, although the pace of corporate earnings growth may be slowing, it remains strong and economists expect between 16 and 17 per cent average earnings growth in 1993 and 1994, compared with 23 per cent in 1992.

Hong Kong



Source: FT Graphite

On the positive side, the Chinese have given the go-ahead for two key projects which are part of Hong Kong's HK$165bn airport plan.

This has heightened expectations that China will approve financing for the airport.

There remain a number of concerns to suggest that the equity market will retain its historical risk rating, leaving it as the cheapest in p/e terms of the Asian markets.

Rumours of the death of the Chinese patriarch, Mr Deng Xiaoping, have consistently shocked investors over the past five years. The rising profile of the pro-reformist Mr Zhu should dampen fears of a post-Deng political backlash; but the uncertainty resulting from Mr Deng's demise would strike a blow to confidence.

Hong Kong has also become more sensitive to capital movements from China. Baring Securities estimates that HK$50bn in Chinese capital has flowed into the Hong Kong property market in the last 18 months.

The austerity programme in China has focused on reining in speculative funds within the country; if this broadened into enforced repatriation of "speculative" capital in Hong Kong, the impact would be devastating. However, such a move would be difficult to enforce.

Finally, Mr Patten has stated that in his opening address to the legislative council on October 6 he wants to give some indication of progress in the Sino-British negotiations on his political blue print for Hong Kong. An aggressive stance would undoubtedly provoke anger from China and fear from Hong Kong.

ASIA PACIFIC

New fistful of 1993 highs around the Pacific Rim

Tokyo

INVESTORS were discouraged by a lack of concrete measures to support Japan's economy at the first meeting of the new government's economic affairs ministers, *writes Emiko Terazono in Tokyo.*

The Nikkei average lost a further 85.71 to 20,687.47, having moved between 20,603.56 and 20,903.09. Foreign investors continued to be leading buyers, but the index faltered on selling by financial institutions.

Volume declined to 250m shares from 288m. Falls outnumbered rises by 716 to 243, with 184 issues unchanged. The Topix index of all first section stocks slipped 11.10 to 1,664.76, but in London the ISE/Nikkei 50 index edged up 1.10 to 1,271.60.

The ministers agreed on an economic package which would pass the benefits of a higher yen to consumers, and on deregulation of industries and the distribution system by the end of next month. Investors felt left out.

However, in spite of official denials of the possibility of an official discount rate cut, traders said speculation on monetary easing was still strong. Mr Robert Feldman, an economist at Salomon Brothers, said the BOJ was likely to make a cut of 50 basis points by the end of September. But he added that the cut was already discounted in share prices and it would take 75 to 100 basis points to make a large impact.

At corporate level, Cosmo Securities, the second tier broker which will be bailed out by Daiwa Bank, ended at Y496, down from Friday's close of Y649. Ricoh, the most active issue of the day, forged ahead Y28 to Y799 on the company's development of technology to make paper-recycling copiers.

NEC retreated Y22 to Y988, falling below the Y1,000 level for the first time since August 9. The stock had risen on hopes that the government would pump in funds to improve the country's telecommunications infrastructure; yesterday's lack of discussion was a disappointment.

In Osaka, the OSE average shed 117.54 to 22,555.83 in volume of 131.9m shares, the highest since March 10.

Roundup

THE REGION produced another fistful of record highs, although London reactions to the Hang Seng Bank results in Hong Kong took some of the edge off the day.

NEW ZEALAND, which has the unusual distinction of trading 48 per cent below its all-time peak set in 1987, made up more ground as the NZSE-40 capital index advanced 61.94, or 3.2 per cent, to 2,019.8.

Turnover was described as "absolutely extraordinary" as it rocketed to NZ$142m from Wednesday's estimated and extremely heavy NZ$90m. Carter Holt Harvey and Fletcher Challenge led the way, climbing 20 cents to NZ$3.39 and another 36 cents to NZ$3.83 after Fletcher's surprising results on Wednesday, which triggered a rerating of both forestry stocks.

AUSTRALIA broke through the 1,900 barrier as buyers snapped up industrial issues, the All Ordinaries index closing 31.6 higher at another post-1987 crash peak of 1,926.3.

Turnover was heavy at A$630.9m. Brokers said Wall Street's record high and improving bullion prices also provided momentum, the golds index rising 61.6 to 2,218.0. CRA, in base metals and gold, jumped 42 cents to A$15.28.

KUALA LUMPUR achieved another high after a late surge in several blue chips, including Tenaga Nasional and Telekom Malaysia. The KLSE composite index ended 7.80 stronger at 798.82 as volume rose from 312.5m to 413.1m shares.

Malayan Banking firmed 50 cents to 15.60 ringgit after its impressive annual results. Tenaga and Telekom rose 20 cents each to M$11 and M$16.10.

SEOUL finally wiped out the remaining losses following last week's ban on trading under false or borrowed names, the composite index rising 24.79 to 737.97 in turnover of Won60bn.

BOMBAY's BSE 30-share index moved ahead a further 85.35 to 2,700.55 in trade restricted to one hour to enable delivery of cash shares.

SINGAPORE tried to extend its record-breaking run but profit-taking came in after an intraday all-time high of 1,963.85, and the Straits Times Industrial index ended a net 2.62 down at 1,948.78.

SOUTH AFRICA

EQUITIES were generally stronger, with the exception of De Beers, which shed 75 cents more to R87, still on Tuesday's results. The gold shares index added 42 at 1,799 and industrials 50 at 4,618, while the overall index rose 50 to 4,075.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY AUGUST 18 1993								TUESDAY AUGUST 17 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (69)	144.12	+0.5	141.27	92.47	126.07	141.65	+0.2	3.54	143.39	142.87	91.95	126.43	141.57	144.63	117.39	133.27
Austria (17)	167.86	+1.4	164.54	107.70	146.83	146.85	+1.0	1.32	165.61	165.01	106.21	146.03	145.37	167.86	131.18	148.06
Belgium (42)	151.91	+0.7	148.81	97.48	132.88	133.18	+0.5	4.30	150.86	150.31	96.74	133.02	132.62	156.78	131.19	143.46
Canada (108)	125.96	+0.2	123.47	80.81	110.17	120.05	-0.6	2.81	125.69	125.24	80.60	110.82	119.64	130.36	111.41	125.77
Denmark (33)	220.77	+2.2	218.40	141.65	193.11	206.88	+1.1	1.09	215.92	215.13	138.47	190.39	204.69	225.64	185.11	228.61
Finland (23)	117.40	+3.7	115.07	75.32	102.69	143.14	+3.4	0.85	113.24	112.83	72.62	99.85	138.43	117.40	65.50	68.22
France (97)	163.96	+1.9	160.71	105.19	143.41	152.08	+1.0	3.04	160.91	160.32	103.18	141.87	150.50	167.36	142.72	156.53
Germany (60)	124.94	+2.0	122.47	80.17	109.29	109.29	+1.2	1.93	122.46	122.02	78.54	107.98	107.98	124.94	101.59	115.45
Hong Kong (55)	298.60	+0.4	292.70	191.58	261.21	297.14	+0.4	3.21	297.29	296.21	190.64	262.15	295.90	301.61	218.82	232.66
Ireland (15)	170.70	+2.8	167.33	109.52	149.32	172.18	+1.7	3.23	166.03	165.43	106.47	146.40	169.22	170.70	129.28	158.17
Italy (70)	76.34	+0.7	74.83	48.98	66.78	91.20	+0.5	1.79	75.78	75.50	48.59	66.81	90.72	76.34	53.78	63.35
Japan (470)	164.00	-0.4	160.75	105.22	143.47	105.22	-0.4	0.79	164.73	164.13	105.63	145.25	105.63	165.91	100.75	88.49
Malaysia (69)	370.61	+1.0	363.29	237.78	324.18	363.82	+0.8	1.88	367.07	365.74	235.39	323.65	360.57	370.61	251.66	224.73
Mexico (18)	1709.00	+1.3	1675.20	1096.49	1494.81	5809.26	+1.3	0.85	1686.49	1680.36	1081.52	1487.05	5732.75	1725.81	1410.30	1358.59
Netherland (24)	179.61	+1.7	176.06	115.24	157.11	155.18	+0.8	3.48	176.65	176.01	113.28	155.77	154.00	178.61	150.39	163.52
New Zealand (13)	60.68	+4.2	59.48	38.94	53.09	58.08	+4.2	3.84	58.21	58.00	37.33	51.33	55.76	60.68	40.56	43.41
Norway (22)	177.31	+1.8	173.80	113.76	155.10	175.96	+1.1	1.50	174.10	173.46	111.65	153.51	173.92	177.31	137.71	152.03
Singapore (38)	274.40	+1.1	268.98	176.06	240.02	203.08	+1.0	1.70	271.48	270.49	174.10	239.37	201.17	274.40	207.04	181.84
South Africa (60)	198.40	-0.4	194.48	127.29	173.54	201.43	-0.4	3.21	197.61	196.89	126.72	174.25	201.27	215.26	144.72	190.19
Spain (43)	131.12	+2.2	128.53	84.13	114.70	137.68	+1.4	4.14	128.35	127.88	82.31	113.17	135.84	132.62	115.23	138.32
Sweden (36)	196.23	+4.3	192.35	125.90	171.65	229.28	+2.3	1.47	188.18	187.50	120.68	165.93	224.12	196.23	149.70	180.05
Switzerland (50)	134.81	+2.1	132.14	86.50	117.93	124.32	+0.8	1.75	132.02	131.54	84.66	116.42	123.30	134.81	108.91	110.80
United Kingdom (218)	189.35	+3.2	185.61	121.48	165.62	185.61	+1.5	3.77	183.54	182.88	117.69	161.82	182.88	189.35	162.00	181.07
USA (520)	186.56	+0.6	182.87	119.70	163.19	186.56	+0.6	2.74	185.41	184.74	118.91	163.50	185.41	186.56	175.38	170.40
Europe (750)	156.45	+2.4	153.36	100.38	136.86	149.08	+1.2	3.00	152.72	152.17	97.94	134.67	147.26	156.45	133.52	145.46
Nordic (114)	183.23	+3.6	179.61	117.56	160.28	189.62	+2.1	1.31	176.88	176.23	113.43	155.96	185.74	183.23	142.13	166.82
Pacific Basin (714)	167.29	-0.3	163.98	107.33	146.33	112.29	-0.3	1.04	167.80	167.19	107.61	147.96	112.61	168.80	105.89	94.80
Euro-Pacific (1464)	162.79	+0.8	159.50	104.39	142.33	127.21	+0.3	1.81	161.49	160.90	103.55	142.38	126.82	162.72	117.26	115.29
North America (628)	182.79	+0.8	179.17	117.29	159.92	182.05	+0.5	2.75	181.70	181.04	116.53	160.24	180.94	182.79	171.51	167.60
Europe Ex. UK (532)	135.90	+2.0	133.21	87.21	118.90	127.78	+1.1	2.48	133.28	132.80	85.47	117.55	126.43	135.90	112.51	123.94
Pacific Ex. Japan (244)	200.33	+0.8	196.37	128.55	175.26	184.95	+0.6	3.00	198.84	198.12	127.53	175.35	183.82	200.33	152.70	156.35
World Ex. US (1651)	162.78	+0.7	159.56	104.45	142.40	129.24	+0.3	1.84	161.58	160.99	103.62	142.47	128.82	162.78	118.51	117.22
World Ex. UK (1953)	167.77	+0.4	164.45	107.65	146.77	143.28	+0.3	2.00	167.03	166.42	107.12	147.29	142.90	167.77	134.22	129.82
World Ex. So. Af. (2111)	169.60	+0.7	166.25	108.83	148.37	146.59	+0.4	2.17	168.42	167.81	108.02	148.53	145.96	169.60	137.29	133.93
World Ex. Japan (1701)	174.86	+1.3	171.40	112.20	152.98	170.58	+0.8	2.83	172.70	172.07	110.76	152.30	168.18	174.86	152.47	159.54
The World Index (2171)	169.68	+0.7	166.32	108.87	148.43	147.07	+0.4	2.17	168.50	167.89	108.05	148.59	146.44	169.68	137.32	134.24

Latest prices were unavailable for this edition.